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Salesmen

Need for more than a smile and a shoeshine

Management, Page 8

India

Will things fall apart? Can the centre hold?

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FT WEEKEND

The Wasp - the first truly global citizen

TOMORROW

World Business Newspaper http://www.FT.com FRIDAY AUGUST 15 1997

Investors sought for Telecom Italia ahead of sell-off

The Italian government is asking some of the world's leading telecoms groups to take stakes in Telecom Italia ahead of its full privatisation planned for October. Only about 30 per cent of the group – which has a market capitalisation of some L71,700bn ($40bn) – will be offered to the public. The aim is to create a group of long-term shareholders to provide stability for a limited period after privatisation. Companies with which Telecom Italia has alliances or is planning links will be targeted. They include AT&T, Unisource and Germany's Mannesmann. Page 13; **Milosevic eyes cash from telecom sell-off, Page 2; Top four agree mobile phone** standard, Page 4

BASF shares hit: Shares in German chemicals group BASF fell sharply after the company failed to impress investors with news of a 3.4 per cent rise in interim net profits to DM1.42bn ($770m). Page 13

US production slows: US industrial production rose a modest 0.2 per cent in July, slowed by a large drop in car manufacturing. Page 3

Taiwan agrees $144m deal with Bell: Taiwan is to sign a pact with Bell Helicopter Textron under which the US helicopter maker will agree to buy $144m worth of products from Taiwanese aerospace makers. Taiwan is to buy attack helicopters from Bell. Page 4

McVeigh sentenced: Convicted Oklahoma City bomber Timothy McVeigh was formally sentenced to death in Denver for the bombing of the Alfred P. Murrah federal building in 1995 that killed 168 people.

Independence day deaths: At least two people were killed and 20 wounded in Karachi when a crowd stampeded at a rally to mark Pakistan's 50 years of independence. In India, also celebrating independence, seven people were killed and eight injured when a bomb exploded on a railway line in Assam. India's 50-50 record, Page 11; Lex, Page 12

13 killed in Kenya riot: Six Kenyan policemen and seven civilians were killed when mobs burnt down a police station in Mombasa, stole firearms and released prisoners.

Indonesian currency at record low: The Indonesian rupiah fell more than 6 per cent to a record low against the US dollar as the country's central bank abandoned its attempt to hold the currency within its newly expanded trading band. Page 12; Landscape alters, Page 6; Currencies, Page 25

Ka Wah shares up 20%: Ka Wah Bank shares rose 20 per cent to HK$13.15 following the announcement that Citic, the Chinese investment company which controls the Hong Kong bank, is considering restructuring its financial division. Page 13

Seoul may aid banks: A possible downgrade in the international credit ratings of South Korean banks forced the government to consider giving the sector financial help. Page 6

Japan's post service to cut jobs: Japan's state-owned postal savings and insurance system has pledged to reduce its work force of 37,000 by 20 per cent in the face of rising pressure to become more efficient and avert privatisation. Page 6

Argentine unions strike over jobless

Much of Argentina came to a standstill as trade unions called a strike in protest at high unemployment and the government's free-market economic policies. Protesters (above) set up roadblocks on one of the main routes into Buenos Aires, and in many provinces. Page 12

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,940.86	(+12.54)
NASDAQ Composite	1,586.83	(+3.43)
Europe and Far East		
CAC40	2,921.84	(-2.20)
DAX	4,231.43	(-47.05)
FTSE 100	4,991.3	(-12.3)
Nikkei	19,222.62	(+214.02)

US LUNCHTIME RATES

Federal Funds	5⅝%
3-mth Treas Bills: Yld	5.301%
Long Bond	97½
Yield	6.562%

OTHER RATES

UK: 3-mo Interbank	7 3/16%	(same)
UK: 10 yr Gilt	101 11/32	(101 5/32)
France: 10 yr OAT	99.39	(99.12)
Germany: 10 yr Bund	102.52	(102.15)
Japan: 10 yr JGB	106.8564	(106.474)

NORTH SEA OIL (Argus)

Brent Dated	$19.07	(18.54)

GOLD

New York: Comex (Aug)	$324.2	(326.8)
London: close	$326.35	(328.15)

DOLLAR

New York: lunchtime		
£	1.5873	
DM	1.8405	
FFr	6.207	
SFr	1.5190	
Y	117.705	
London:		
£	1.5867	(1.5803)
DM	1.8461	(1.8316)
FFr	6.2213	(6.1743)
SFr	1.5225	(1.5081)
Y	117.890	(115.505)
Tokyo close:	Y 115.80	

STERLING

DM	2.9292	(2.8944)

Kohl ready for deal on tax

German chancellor signals willingness to make further compromises

By Ralph Atkins in Bonn

Mr Helmut Kohl, Germany's chancellor, yesterday signalled a willingness to scale back substantially government tax reform plans in an effort to overcome a parliamentary blockade by the opposition SPD social democratic party.

Interrupting his holiday in Austria, Mr Kohl went further than before in stressing the scope for compromise over reforms which had been designed to yield annual net cuts worth DM30bn ($16.4bn) from 1999. "If we can't do everything at once, then let us do at least a part so that the country can see a future for itself," he told ZDF television.

His comments underlined the seriousness with which he regards the collapse this month of negotiations on tax reform with the SPD, which controls the Bundesrat, the second chamber of parliament.

The breakdown of the talks had undermined Mr Kohl's political authority by setting back his hopes of introducing significant economic reforms before national elections in September 1998.

In addition, the finance ministry fears that without wide-ranging tax reforms, more German companies will transfer profits abroad and pay less tax at home. The Bundesbank warned yesterday that tax revenues this year were already likely to fall significantly below estimates, increasing Germany's difficulties in meeting the public sector deficit criteria set for members of the planned European single currency.

The SPD, meanwhile, reiterated its insistence that the government had to outline concrete new ideas for tax reform. The party has attacked existing proposals as favouring the rich and threatening to create fresh crises in government finances.

Mr Kohl also sought to quell fresh political squalls in his governing coalition after Mr Theo Waigel, finance minister, repeated his call for a cabinet reshuffle. Mr Waigel suggested a new line-up of cabinet ministers would give the coalition "an additional push".

Mr Waigel is eager to ensure that his Christian Social Union, the Bavarian sister party of Mr Kohl's Christian Democrats, does not lose influence when the abolition of the federal post and telecommunications ministry at the end of this year leaves the CSU with one less cabinet post.

Mr Kohl said he saw no need "at this moment" for a cabinet reshuffle. But in an apparent retreat from his earlier stance, the chancellor left open the possibility of a reshuffle before federal elections.

Further illustrating the frenzied political atmosphere, Mr Edmund Stoiber, the CSU prime minister of Bavaria, proposed a two-year delay in the European single currency project if France and Germany failed to meet the required financial criteria.

US cattle renderers set to sue Brussels for $100m

By Neil Buckley in Brussels

The US rendering industry is planning a $100m-plus lawsuit against the European Commission over new meat safety rules designed to control the spread of "mad cow" disease.

Renderers, who boil down carcases, are preparing to sue Brussels in the European Court of Justice unless it changes rules which could bar US exports of tallow used in products from candles to painkillers. The trade is worth Ecu100m ($107m) a year.

The rules, adopted last month and due to come into force in January, ban the parts of cattle – mostly brain and spinal cord – most at risk of carrying mad cow disease, or bovine spongiform encephalopathy, from being used for any purpose including making tallow.

Other US industries affected by the rules are considering joining the lawsuit, which could dramatically increase the potential damages. The National Cattlemen's Association, representing US beef farmers, this week dismissed the EU measures as "crazy".

The US has threatened to complain to the World Trade Organisation. It says the rules have no scientific basis, but in effect force it to bring its slaughterhouse practices into line with Europe's if it wants to continue exporting a range of products. This would mean removing the parts of cattle banned by the EU.

Pharmaceuticals and cosmetics makers, which rely on tallow derivatives such as fatty acids, have warned that a lack of supplies of material meeting the new EU standards could lead to temporary shutdowns of manufacturing and product shortages.

Brussels has ruled out re-examining the rules before a meeting of EU scientific experts on September 8. Mrs Emma Bonino, consumer protection commissioner, made clear this week she believed the ban was justified on health grounds. US renderers

Continued on Page 12

Remaining team members face daunting tasks to repair damage to Mir

Successful return to Earth for Russian space crew

By Clive Cookson, Science Editor

Two Russian cosmonauts returned safely to earth yesterday, after one of the most fraught and error-prone missions in the history of space flight.

A Soyuz capsule carrying Vasily Tsibliyev and Alexander Lazutkin parachuted on to the steppes of Kazakhstan, just a minute behind the scheduled touch-down time.

During six months in orbit on board the Mir space station, the two men had survived an unprecedented series of breakdowns and accidents, including a fire and a collision with an unmanned cargo craft.

They smiled at the reception committee of doctors and Russian space officials as they left the cramped capsule, ready to be flown to Moscow for medical tests and debriefing.

Mr Tsibliyev, the mission commander, developed heart trouble in orbit – probably induced by stress. He said he felt "happy to be back on earth".

Earlier the farewell message from Mr Lazutkin, the departing flight engineer, to Mir's three remaining crew members was: "Let's hope that everything that went wrong is leaving with us."

In fact the trio – cosmonauts Anatoly Solovyov and Pavel Vinogradov and US astronaut Michael Foale – face a daunting series of tasks over the next two months to put right Mir's most serious faults.

A particularly hazardous assignment is scheduled for Wednesday when the cosmonauts will attempt to re-enter the airless Spektr laboratory module. It has been sealed off since being gashed in the collision on June 25, and may contain dangerous floating debris. The men have to re-attach cables to restore power supplies from Mir's solar panels.

Another vital repair job will take place next month when the cosmonauts undertake a space walk to repair the hole in Spektr.

Other problems include suspected contamination of Mir's water recycling system and failure of the oxygen generating equipment. The crew is currently using emergency supplies of water and oxygen.

The next relief flight is due at the end of September. The US shuttle Atlantis will visit Mir to remove Mr Foale, who has been on board since May, and bring fresh supplies.

The Russian Space Agency is anxious that its US counterpart, Nasa, should be sufficiently confident about Mir's safety to allow Mr Foale's designated successor, David Wolf, to join the station.

The long-term plan is to keep the 11-year-old Mir occupied for two more years, until its successor, the International Space Station, is well under construction.

Russian crew commander Vasily Tsibliyev (left) and flight engineer Alexander Lazutkin after landing in Kazakhstan yesterday Reuter

Jardine group investors asked to list shareholdings

By John Ridding in Hong Kong

Jardine group companies have written to their shareholders asking them to report their holdings, the British-controlled conglomerate said yesterday.

The move follows the announcement earlier this month that Mr Li Ka-shing, Hong Kong's most powerful businessman, had taken stakes of 3 per cent in Hongkong Land and Jardine Matheson, two of the conglomerate's main businesses. The acquisitions raised speculation that Mr Li might be preparing a bid or seeking an alliance with the Jardine group.

"There has been fairly heavy trading in the group's shares over the past two weeks," said Mr Neil McNamara, Jardine corporate secretary. "It has been some months since we sent out notices so we thought it was time to update our information."

Mr McNamara said there had been no further disclosures relating to shareholdings in Jardine companies since the announcement of Mr Li's stakes.

According to the Bermuda takeover regulations, which govern Jardine, investors have to make an announcement when they breach the 3 per cent threshold. They then have to disclose each further increase of 1 per cent of the company's shares.

Letters have been sent to shareholders in Hongkong Land, Jardine Matheson, and Jardine Strategic, the holding company which acts as a linchpin in a series of share cross-holdings. Failure to report shareholdings can lead to the loss of voting rights.

More than a week after the announcement of Mr Li's move, his motives remain unclear. Cheung Kong, the flagship group in Mr Li's empire, described the purchases as "friendly and normal". But many in the Hong Kong investment community believe the purchases foreshadow further moves with the aim of persuading Jardine into a partnership, the sale of a stake or the sale of specific assets.

Speculation has included the possibility of a concerted move, as happened in 1987 and 1988 when Mr Li launched an abortive raid on Hongkong Land. Names mentioned include Citic Pacific, the Hong Kong arm of Beijing's flagship investment group, the Kwek family of Malaysia and Mr Ho Ying-kit, nicknamed "Tobacco Ho", of Hong Kong Tobacco.

Henderson Land, one of the territory's biggest developers and a member of the 1987/88 consortium, dismissed claims that it had accumulated shares in Hongkong Land.

Shares in Jardine companies have slipped since an initial surge following news of Mr Li's move. Yesterday Hongkong Land climbed by US$0.14 to US$3.36. Jardine Matheson lost US$0.10 to US$7.75.

CONTENTS

Finance group chief accuses rivals of trying to create an 'oligarchy' in row over privatisation

Business war breaks out in Russia

By Chrystia Freeland in Moscow

The simmering conflict between Russia's once allied leading businesses erupted yesterday as Mr Vladimir Gussinsky, a media and finance tycoon, accused his rivals of seeking to create an "oligarchy".

Mr Gussinsky's outburst follows two controversial privatisations, both won by the powerful Oneximbank group, which have split Russia's once united business élite into fiercely antagonistic camps.

Contradicting previous denials, Mr Gussinsky admitted his Most financial group had participated in a failed bid to buy Svyazinvest, the recently privatised telecommunications company.

The company went to a consortium led by Oneximbank, in an auction which the winners hailed as a fair and transparent process, intended to break the Russian pattern of insider-dominated sell-offs.

But Mr Gussinsky yesterday implied that Oneximbank owed its victory, and its subsequent triumph in the privatisation of Norilsk Nickel, one of the world's leading nickel producers, to what he called a deal with the government.

"Today, more and more crudely, the relations between one of my former colleagues and the government are crossing acceptable boundaries," Mr Gussinsky claimed, in a comment clearly targeted at Mr Vladimir Potanin, the Oneximbank chief.

"Openly and directly some politicians are helping him to obtain economic goals. When one player is in a more advantageous position, and part of the government is co-operating with him for political ends, then that is oligarchy." Mr Gussinsky's attack is significant because his comments imply the young reformist ministers in the Russian government have sided with Mr Potanin.

Critics have dismissed his allegations as sour grapes. But whatever Mr Gussinsky's motives may be, it is a clear sign the reform wing of the Russian cabinet, led by Mr Boris Nemtsov and Mr Anatoly Chubais, has lost the backing of the influential Most media group and other top bankers.

In the past, the reformers have enjoyed the enthusiastic support of the Most media machine, an ally which has often been vital in pushing through unpopular change.

Mr Gussinsky also hinted that the struggle between Russia's powerful financial barons will soon move on to the favoured battlefield of Moscow politics, the war of *kompromat*, or compromising documents. The media chief said new information would become public showing alleged links between Oneximbank and government.

But while Most's verbal volley captured the attention of the Russian media yesterday, it is unlikely to alter Oneximbank's financial victories.

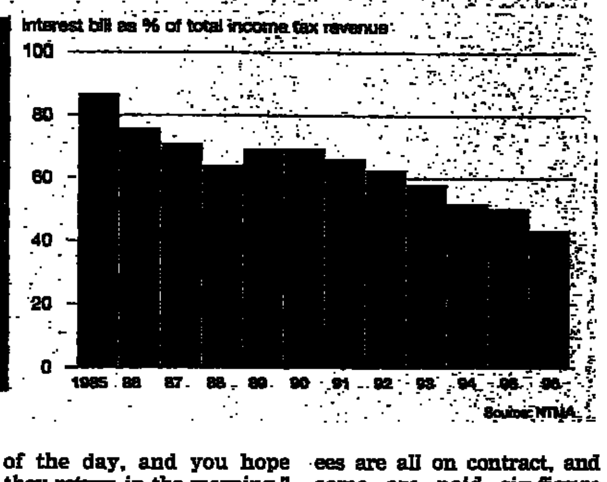
Various inquiries into the legality of the Svyazinvest sale are under way, but Russian officials reiterated yesterday they believed it had been totally above board. Privately, Most executives conceded the sales were unlikely to be overturned.

Ireland's Auntie May wins plaudits

Independent body managing national debt has been a big success, writes **John Murray Brown**

Ireland: managing the nation's debt burden

Michael J.Somers: chief executive



The recent decision by the British government to hive off the servicing of its sovereign debt to an independent body may well have taken its inspiration from across the water, from Ireland's National Treasury Management Agency.

For the NTMA, or Auntie May as it is sometimes known, has been one of the main factors in Ireland's recent economic success.

Ireland's I£32bn ($46bn) debt, once seen as an impediment to its joining the planned European single currency, has fallen from 125 per cent of gross domestic product in 1985 to 72.4 per cent at the end of 1996, when the NTMA achieved the first fall in the size of the debt in 40 years.

According to the European Commission it is "approaching" the 60 per cent ratio required to participate in monetary union.

The improvement is a function of the strong performance of the economy, delivering stronger revenues at a time when no new debt was taken up. But Mr Michael Somers, NTMA chief executive, says the government's decision to create the agency was vital in restoring Ireland's credit rating – which will become even more critical with the advent of the euro, when Irish debt will account for just 1 per cent of the total bond market.

"It will be like selling detergents, with everyone selling the same product," says Mr Somers.

Last year, the agency handled I£125bn, four times the national debt, as loans were rescheduled, bonds bought back and sold and currencies swapped, all in an effort to reduce the cost of servicing it. It has not all been plain sailing. During the currency crisis of 1992, the NTMA was instructed to build a war chest, putting in place I£4bn in credit lines to defend the Irish pound from speculators.

According to one important measure – the percentage of the national tax take that is consumed in servicing the debt – the NTMA is making good progress, although Mr Somers concedes it is difficult to make an objective assessment of performance.

Officials from several central European countries as well as some fellow EU members have visited the NTMA to see how it is done.

The Portuguese agency has admitted to modelling itself on the Irish agency, and now Mr Gordon Brown, the UK Chancellor (finance minister) – who visited the NTMA when in opposition – appears to be moving to some form of "arm's length" management of the British debt. When Ireland first considered the option, advised then by Citibank, the US bank, there was some resistance to creating special legislation to allow a non-government body to act on the government's behalf in the debt markets.

But Mr Somers, a career civil servant until the changeover, believes the breakthrough was to allow the agency to set its own salaries outside the public sector pay round – a move that not unnaturally created some resentment.

"Unless you're prepared to pay commercial rates of pay, it won't work. That's what it's all about, it's a people skill. Like the American bankers say, your assets go down the elevator at the end of the day, and you hope they return in the morning," says Mr Somers.

While the finance ministry traditionally faced poaching of its debt staff by the private sector, the NTMA has managed to hold on to its key personnel – despite dramatic growth in the financial services industry in Dublin.

"The problem with [the] finance [ministry] was there were two types of civil servants. There were those who wanted to learn to get a passport to move on. And there were those who didn't like the business at all and complained they hadn't joined the civil service to become a bond trader," says Mr Somers. NTMA employees are all on contract, and some are paid six-figure sums. "No one is on a pay scale as such. We negotiate our own packages. What we have is the flexibility to pay what we need to pay," says Mr Somers.

The Hay Consultancy, the US management consultant, operates a continuous assessment of staff, comparing performance with those in private sector banks to keep salaries at competitive levels.

Staff enjoy most of the perks of the private sector, such as cars and bonuses. The only exception is that as the NTMA is an arm of government – albeit an extended one – there are no share options.

Dana's campaign to be president takes a knock

By John Murray Brown in Dublin

The Roman Catholic Church at Knock, Ireland's most famous Marian shrine, yesterday denied it had refused permission to the singer Dana to use the site to launch her campaign for the Irish presidency.

Nonetheless, Monsignor Dominic Greely, the local priest running the county Mayo shrine, scene of an apparition of the Virgin Mary in the last century, said he would not want to see Knock as a "launching pad for anybody".

"I have always tried to keep Knock as a place of peace and reconciliation. I would never want to see Knock as a launching pad for anybody or any group," Mgr Greely told RTE.

Together with Mr Albert Reynolds, the former prime minister, and two Fine Gael women politicians, Dana, the Londonderry-born singer who won the Eurovision Song Contest in 1970, has declared her ambition to succeed the popular Mrs Mary Robinson, who is taking up a job at the United Nations.

With Mr John Hume, Northern Ireland's best known Catholic politician and the hot favourite, still to make up his mind, Dana's candidacy is attracting widespread media coverage even in the serious Irish press.

Dana: singer with ambitions to succeed Mary Robinson

Launching her campaign in Dublin this week, she was supported by pro-life and anti-abortion activists. But few Irish believe she can muster the necessary 20 members of parliament to secure a nomination.

Moreover, the Church's stance at Knock is a indication that the hierarchy has no intention of endorsing her campaign, despite her Catholic views.

Dana currently lives in Alabama and has her own cable television show, singing for the US "bible belt".

Her "blow-in" approach has elicited some vitriolic commentary from liberal newspaper commentators such as Mr Fintan O'Toole of the Irish Times, who described Dana as "nearly famous" and pointed out that the Church was in such poor shape, that "even Dana seems a resonant charismatic figure".

"At least when Tony Blair snuggled up to Oasis, or when Garret FitzGerald aligned himself with Bono, the borrowed garment in which they were wrapping themselves had the virtue of being genuinely chic. If you have to rummage in the cupboard of cable TV in the bible belt, you must be pretty naked."

Nominations have to be in by the end of September for an election scheduled for October 30.

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Turks to free some jailed editors

By John Barham in Ankara

Turkey is to set free some of its prisoners of conscience, jailed for violating the country's strict security laws, under a law passed by parliament early yesterday.

More than 150 prisoners of conscience languish in Turkish jails, about half of them journalists. According to the New York-based Committee to Protect Journalists (CPJ), there are more journalists in jail in Turkey than any other country. The new law releases "responsible editors", who by law are liable for every article published by their newspapers.

Most of the editors were sentenced for publishing articles that questioned the state's suppression of Kurdish nationalism. Turkish security forces are fighting a war which has lasted 13 years against guerrillas of the Kurdistan Workers party (PKK).

Over the years, parliament has enacted strict laws that allow writers, cartoonists and publishers as well as journalists to be jailed for spreading "separatist propaganda" in reporting the insurgency.

Although the government enacted the new law under pressure from the CPJ and other international human rights campaigners, it is unlikely to meet their objections fully. Under the law, the writers could be returned to jail if they repeat within three years the offence for which they were jailed.

Turkish human rights workers have complained that the law merely relaxes some of the restrictions on freedom of expression, rather than lifting controls altogether.

Turkey's Human Rights Foundation saya there are 154 laws and regulations limiting freedom of expression.

Even Mr Yaşar Kemal, Turkey's greatest living writer, who is of Kurdish origin, has been convicted under the terrorism laws.

However, Mr Bülent Ecevit, deputy prime minister, told a CPJ delegation last month: "The first step is the release of journalists and writers in jail. We will take firm steps to end the practice of beatings and torture, especially against journalists."

Milosevic eyes cash from telecom sell-off

By Matej Vipotnik in London

Serbia's cash-strapped government is using the funds it received from the sale of a stake in a telephone utility to pay pension arrears and garner political support ahead of next months parliamentary and presidential elections.

Demonstrating pensioners, thousands of whom gathered in Belgrade yesterday, were the latest group to benefit from the sale in June of a 49 per cent of Serbia Telecom. The government announced that DM100m ($54.3m) would be set aside to pay for pension arrears.

The sale to OTE of Greece and Stet of Italy yielded DM1.6bn, and 80 per cent of the amount was immediately deposited into the state development fund, with the remaining amount to be deposited by January.

The government had pledged to use all of the money to spur structural reform of the industry, but it is now using the funds to reinforce its grip on the electorate. Pensioners and industrial workers are traditionally partial to the ruling party.

Mr Slobodan Milosevic, who recently switched from the presidency of Serbia to that of Yugoslavia, is trying to ensure victory for his governing Socialist party in the September 21 elections.

The state ownership fund has lost no time in disbursing the proceeds from the sale.

According to a report in the Belgrade daily Economic Review, loans totalling DM840m have already been extended to export-oriented industries.

A look at the list of loans made so far betrays the lack of strict criteria. While DM246m was extended to various export-oriented industries, of the remaining funds DM75m was spent on the purchase of the 1997 wheat crop, DM54m on cattle breeding programmes and DM29m on fruit exports, in an attempt to boost the agricultural export sector. The countryside has generally been a bulwark of support for the regime of Mr Milosevic.

"The government is using the market to sell shares, and then using the money to avoid reform," says Mr Jonathan Ayal, director of studies at the Royal United Services Institute.

The sales are "completely related to Milosevic' long-term electoral calculations", he says.

Tapping international capital markets has been made difficult for Yugoslavia by US-imposed sanctions. If the sell-off of family silver proves insufficient, the economic planners in Belgrade have devised a plan to privatise 5,000 small and medium-sized business this autumn.

Shares in the companies are to be given and sold to their employees.

Brussels warns over Telefónica TV plans

By David White in Madrid and Emma Tucker in Brussels

The European Commission has warned Telefónica, the Spanish telecommunications group, not to press ahead with controversial television plans until they have been cleared on competition grounds.

The warning came ahead of meetings on Monday between shareholders of Antena 3, the TV channel which Tefónica is set to control, and Audiovisual Sport, the company which holds the rights for broadcasting Spanish football league and cup matches from the forthcoming season onwards.

Last month's government-backed initiative by Telefónica to purchase a 25 per cent stake in Antena 3, the maximum allowable stake, brought a radical change in the battle over the development of digital satellite TV in Spain, which has been at the centre of a bitter political debate about media control.

Antena 3 jointly controls Audiovisual Sport with Sogecable, the company which runs Spain's existing digital TV operation, Canal Satélite Digital.

The Catalan regional broadcaster TV3 has a smaller stake. Sogecable's main shareholders are the Prisa media group and the French company Canal Plus.

A rival digital venture, Vía Digital, is due to start broadcasting in September, with Telefónica as its chief shareholder alongside the state broadcasting authority RTVE and other partners.

The purchase, in a Pta62.5bn ($400m) operation alongside the Santander and Central Hispano banking groups, provoked a complaint in Brussels from Canal Satélite Digital for abuse of dominant position.

The Vía Digital venture wants to acquire pay-per-view rights for football matches from Audiovisual Sport, breaking the latter's current agreement with Canal Satélite Digital.

Earlier this year the government moved to prevent Canal Satélite Digital from monopolising football rights, introducing legislation to force it to share them with other TV channels. Antena 3 said yesterday it was going ahead with its Monday meeting as planned. Telefónica notified the Spanish securities commission a week ago it intended to nominate a majority of Antena 3's board.

In a sternly worded note, the Commission said it "would not accept being faced with a *fait accompli*" and was prepared if necessary to reverse any of the decisions taken at Monday's meetings.

It was acting in response to two complaints it has received from Canal Satélite Digital. It also ordered its warning to be circulated to board members and shareholders of both Antena 3 and Audiovisual Sport, and requested Telefónica to notify Brussels immediately of any decisions affecting the case.

The Commission has no power to stop the moves by Telefónica in advance, but could challenge them afterwards under EU competition rules. "This letter is a warning to Telefónica not to go ahead with decisions that we might find difficult to accept," said a Commission spokesman.

EUROPEAN NEWS DIGEST

Slovak parties to fight PM

Slovakia's exclusion from the first wave of Nato enlargement and the first round of European Union entry negotiations has prompted five Slovak opposition parties, concerned at their country's increasing international isolation, to join forces to fight the prime minister, Mr Vladimir Meciar, and his three-party nationalist coalition at the next general election.

The Slovak Democratic Coalition (SDK) brings together Christian Democrats, Social Democrats, Liberals and the Green party in what is the most significant development in Slovak politics since Mr Meciar took office in late 1994. The next Slovak general election is due by September 1998, but is widely expected to be held next spring.

A recent opinion poll gives Mr Meciar's three-way coalition a rating of 37.3 per cent, with the SDK on 34.2 per cent. President Michal Kovac, whose term in office expires next March, recently said: "Slovakia will never get into Nato and the EU under Meciar and his government." *Joe Cook, Prague*

■ ALBANIA

Police retake Vlore

The new Albanian government announced yesterday that its police had retaken control of the important southern port of Vlore. Officials also reported that they had arrested several suspected followers of the most powerful Vlore warlord, Mr Lefter Zani, after surrounding his stronghold in the Cole district of Vlore. It is not clear however if they have managed to capture Mr Zani himself. Earlier in the week, he said that he controlled "25,000 weapons", and vowed to fight to the last against any moves by the state against him.

Mr Neritan Ceka, interior minister, claimed yesterday: "We have neutralised and eliminated several gangs in the town and life is progressively returning to normal." Since the Italian-led international peacekeeping force withdrew over the weekend, around 12 people have been killed in shooting incidents. *Anatol Lieven*

Editorial Comment, Page 11

■ PARIS POLLUTION

Tougher car controls likely

The French government is considering imposing tougher controls on car emissions after several consecutive days of pollution alerts in Paris and France's main cities. "I would like France to adopt an 'eco-tax' on energy and carbon dioxide," said Ms Dominique Voynet, environment minister, in an interview with the Figaro newspaper. Last Tuesday pollution in Paris reached a peak at level two on a scale of three.

At level three, local authorities can ban motor vehicles from city centres. The Paris police department yesterday said it would maintain speed curbs imposed earlier in the week in an attempt to reduce emissions. Although winds yesterday dispersed the pollution over Paris, several large cities remained on alert. *Samer Iskandar, Paris*

■ CYPRUS

Serbian bank authorised

Cyprus has authorised Vojvodjanska Banka of Serbia to operate as the 39th offshore bank on this eastern Mediterranean island, the central bank said yesterday. The new bank, whose activities are limited to foreigners and operations outside Cyprus, had assets of nearly $4.97bn in June, according to the central bank. The date has not yet been set for the start of operations in Nicosia, said a representative, Mr Zoran Stangovic, adding that the bank has branches in Frankfurt, London and Moscow.

Russian and Serbian deposits account for more than half the assets deposited in Cyprus. *AFP, Nicosia*

■ MONTENEGRO ELECTIONS

Court bars president

The constitutional court of Montenegro yesterday dealt a bitter blow to a hardline faction of the ruling DPS party by banning its candidate, the current head of state, Mr Momir Bulatovic, from the autumn presidential race. Political tensions increased after the Montenegro Electoral Commission earlier this week cleared President Bulatovic to run for the October 5 elections.

This meant he would take on the prime minister, Mr Milo Djukanovic, although they are both in the ruling Democratic Party of Socialists. The move violated the law that one party can have only one presidential candidate. One DPS faction, headed by Mr Djukanovic, engineered Mr Bulatovic's removal last month from the post of DPS president, accusing him of taking orders from Serbia, the other, more populous and powerful republic in federal Yugoslavia.

"Bulatovic's options are now limited to two – he can either run as an independent candidate or register his faction as a new party," an official close to the Election Commission said. *Reuter, Podgorica*

■ TURKEY

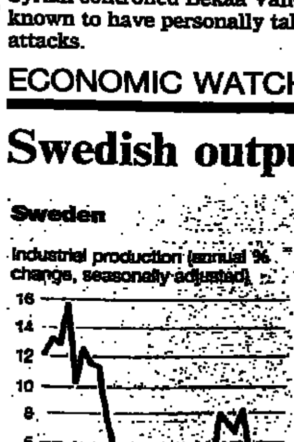
Kurdish leader called up

Turkey has called on Mr Abdullah Ocalan, the Kurdish separatist rebel leader, to return to the country to do his military service or face losing his citizenship. Mr Ocalan, who has led a violent campaign by the Kurdistan Workers party (PKK) for Kurdish self-rule from Turkey since 1984, was among those listed in a government warning published in the official gazette on Wednesday, which threatened those who did not return to do military service with loss of Turkish citizenship.

Mr Ocalan, who has been missing since 1980, ordered the PKK's first violent action 13 years ago with an attack on two gendarmerie posts in the mainly Kurdish south-east. Since then more than 26,000 people have been killed in the ensuing conflict with the Turkish security services. Mr Ocalan is alleged to reside in the Syrian-controlled Bekaa Valley in Lebanon. He was not known to have personally taken part in any of the PKK's attacks. *Reuter, Ankara*

ECONOMIC WATCH

Swedish output up 1.5%



Swedish industrial production rose at a seasonally adjusted rate of 1.5 per cent in May from April, and by 4.8 per cent from May 1996, the Swedish Central Bureau of Statistics announced on Thursday.

The May increase comes on the heels of a revised 2.9 per cent decline in April from March. Production in the investment goods sector rose by 1 per cent from April to May, as did production in the capital goods industry, the SCB said. In the three months to May, output climbed by 0.8 per cent from the previous three-month period.

The seasonally-adjusted official index (base 100 1990) for May is 124.6, compared with 122.7 in April.

Jobs on the line at Ontario Hydro

Only one thing seems certain from the extraordinary events in Canada's nuclear industry this week – Mr Allan Kupcis, former chief executive of Ontario Hydro, North America's biggest electric utility, will not be the only casualty.

Mr Kupcis resigned on Wednesday after an independent report into Ontario Hydro's nuclear power operations found the company was operating its nuclear plants at barely acceptable levels of safety.

It is the most damning report about a "first world" nuclear industry since the one which prompted the Tennessee Valley Authority in the mid-1980s to shut its nuclear plants because of safety concerns.

The TVA, however, was not the leading nuclear operator in the US. Ontario Hydro *is* Canada's leading operator. It is Canada's nuclear industry.

Of the nearly 15,000MW of nuclear plant on the Canadian grid, Ontario Hydro owns 13,288MW.

As one observer noted yesterday: "What is extraordinary is that these guys were considered among the world's best only five or six years ago."

The nuclear industries in the leading industrial nations are subject to some of the tightest regulation faced by industrial companies.

Many countries subscribe to the Alara principle – "as low as reasonably achievable" – as the best way of attaining safe operation.

The report by the Nuclear Performance Advisory Group, a private corporate doctor for the nuclear industry in North America, is littered with observations showing that safety was at best lax at Ontario Hydro's stations and that the Alara principle was more honoured in the breach than the observance.

In aggregate, NPAG rated Ontario Hydro's competence at managing nuclear facilities as "minimally acceptable". Observers were left wondering what Canada's Atomic Energy Control Board, the federal nuclear regulator, has been doing.

The board said yesterday it had identified significant deficiencies in the management systems and safety culture at Ontario Hydro. Mr Robert Potvin, a spokesman for the board, said it was studying closely the NPAG report to see if it identified issues which its own inspectors might have missed.

However, criticism that the board is too close to the companies it is meant to police is bound to resurface as policymakers in Ottawa digest the full implications of NPAG's report.

Take, for example, NPAG's comments on the operation of the Bruce facility, where Ontario Hydro has six reactors, three of which will now be shut down.

"The status of radiation protection is less than adequate to prevent the spread of contamination and to control radioactive materials. Radiation protection procedural non-compliance occurs in areas known to contain contamination and are not being corrected by line supervisors."

Two years ago in Britain, Magnox Electric was taken to court by the Nuclear Installations Inspectorate, the country's nuclear watchdog, and fined £250,000 ($407,500) for a radiation leak at its Wylfa station in Wales. The amount of radiation did not exceed the company's allowable discharge limit, it simply exceeded the amount Magnox was capable of preventing from discharging.

The NPAG report has already claimed one senior executive at Ontario Hydro. If new management is as forthright in following the report's recommendations then more job losses will surely follow.

Mr John Fox, executive vice-president in charge of generation, said yesterday that NPAG had highlighted how the company had slipped into a "protected culture", one that did not "sense the urgency of things".

"A precondition for changing behaviour is a certain amount of anxiety," he said. "The report has created that."

As a matter of urgency the company plans to shut down seven rectors, or a total of 4,643MW of capacity. These represent the seven oldest reactors of the company's fleet of 18 and are situated at Bruce and Pickering.

The company's reactors at Darlington, four 935MW units and the biggest nuclear plants it operates, are not subject to closure.

The cost of closure will be C$5bn-C$8bn (US$3.5bn-US$5.7bn). This has forced Ontario Hydro to defer plans to cut its debt – currently at C$33bn – by C$2bn a year for five years.

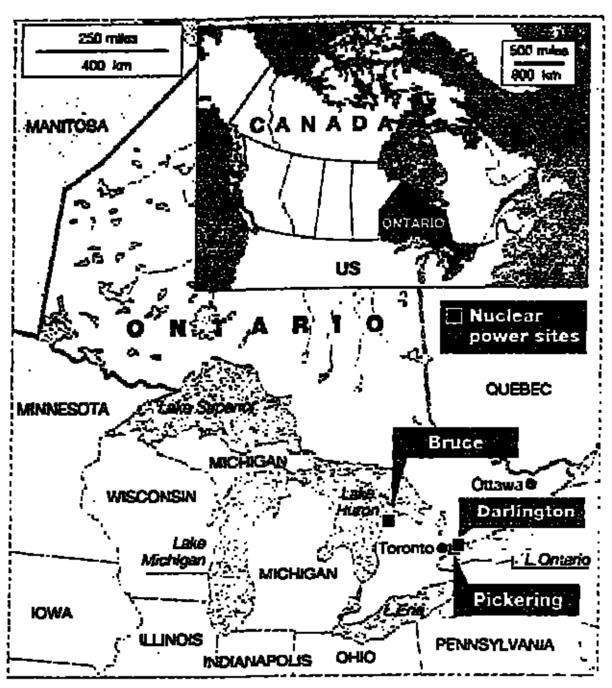
It will not, however, have to increase prices or reduce output.

In the short term it plans to replace the shut-down nuclear capacity by increasing its utilisation of coal fired stations, and bring back decommissioned coal burners.

In two or three years it may consider reactivating the closed nuclear stations.

That, however, will depend crucially on the ability of Ontario Hydro's management to absorb the tough lessons of the report.

Simon Holberton



UPS strike talks resume

By Mark Suzman in Washington

At the urging of the White House, officials from United Parcel Service, the largest US parcel carrier, and the striking Teamsters union resumed talks with a federal mediator yesterday.

The two sides were meeting for the first time since talks to end the 11-day strike broke off at the weekend. Since then Ms Alexis Herman, US labour secretary, has held discussions with both parties to persuade them to return to the negotiating table.

President Bill Clinton has been resisting calls from UPS management and other business groups to intervene directly in the dispute, and Ms Herman said the administration remained optimistic that an early solution could be found.

Mr Richard Gephardt, Democratic leader in the House of Representatives and a likely presidential candidate, said he strongly supported the collective bargaining principle of a negotiated agreement.

"At this point it would be a mistake to intervene in the UPS-Teamsters strike," he said. "The process should be allowed to work."

Ms Herman opened the meeting herself and said she would remain available to talk with both parties.

However, Mr Ron Carey, Teamsters president, and Mr David Murray, UPS chief negotiator, were quick to characterise the informal talks as discussions rather than negotiations, and both sides played down prospects of a breakthrough in their dispute over the terms of a proposed new labour contract and pension plan.

UPS has warned that the strike by 185,000 Teamster workers is costing it $300m a week and could result in the destruction of 15,000 jobs, a suggestion the union has dismissed as "threats and intimidation".

AMERICAS NEWS DIGEST

Brazil boost on spending

The lower house of the Brazilian Congress has approved an extension to the Fiscal Stabilisation Fund, marking another victory in the government's efforts to keep public spending under control.

Deputies voted 342 to 121 in favour of the bill, which gives the government control over a fund of revenues worth about R$25bn (US$23bn) a year, which under the constitution is supposed to be automatically passed on to states and municipalities.

This was the second vote on the bill in the lower house. As a constitutional amendment it must now be approved twice in the Senate, where it is not expected to provoke much opposition.

The FEF was first introduced in 1994 as an emergency measure. However, the failure to push through longer-term fiscal reforms has made the fund a crucial instrument in controlling public expenditure. It has now been extended until the end of 1999.

The extension of the fund provoked strong opposition from local mayors. However, after the government agreed to pass on about R$600m from the fund to municipalities, the bill was comfortably approved. *Geoff Dyer, São Paulo*

■ DRUG TRAFFICKING

Puerto Rico in US accord

Puerto Rico has signed an agreement with US Customs to combat money laundering and drug trafficking on the island. A joint task force will monitor and share information on suspected illegal financial transactions. "This accord is part of our tough policy against crime," said Mr Pedro Rossello, governor of the island, which is a US possession.

South American traffickers have been smuggling increasing quantities through the eastern Caribbean archipelago into Puerto Rico, say officials. The narcotics are then shipped to North America and Europe.

About 95 per cent of crime on the island is linked to narcotics trafficking, according to the officials. Between March last year and May this year 421 people were arrested on trafficking charges, and drug shipments valued at $5.8m were confiscated. *Canute James, Kingston*

■ BANANA IMPORTS

WTO ruling criticised

The World Trade Organisation's ruling against aspects of the European Union's banana import regime has "undermined the confidence" of banana farmers in the Windward Islands, the main source of UK imports, according to a senior industry official.

Mr Arnhim Eustace, chairman of the Windward Islands Banana Development Company, said the loss of confidence had been compounded by drought and had caused several banana farms to be abandoned, leading to reduced exports from the four islands (Dominica, Grenada, St Lucia and St Vincent) to the UK.

The WTO is to make a final ruling next month on a US complaint that the EU arrangement, which favours imports from former colonies, is discriminatory. A WTO panel earlier concluded that while the EU's quota arrangements were admissible, it ruled illegal the special licensing system which allowed the purchasers of bananas from traditional suppliers to buy bananas elsewhere to make up for shortfalls. *Canute James*

Modest rise in US industrial output

By Nancy Dunne in Washington

US industrial production rose a modest 0.2 per cent in July, slowed by a large drop in car manufacturing and smaller declines in textile, clothing and food output.

At the same time inflation stayed subdued. Consumer prices advanced 0.2 per cent, after 0.1 per cent gains in the preceding three months, according to the Labour Department. The "core" rate of inflation, excluding volatile energy and food prices, rose 0.2 percentage points.

July's food prices climbed 0.3 per cent, with clothing up 0.2 per cent and transportation 0.1 per cent higher. Energy prices fell 0.1 per cent.

Even wage inflation, a concern on Wall Street, may be less than earlier reports suggested. Real average weekly earnings, seasonally adjusted, fell 1 per cent from June to July for production and non-supervisory workers on private non-farm payrolls.

Average weekly earnings for this group rose from $405.08 in July 1996 to $420.71 last month.

While some analysts are now contemplating a manufacturing slowdown, Mr James McCormick of J.P. Morgan said the data were not yet sufficient to justify that judgment. Large increases occurred in the manufacture of aircraft, computers and semiconductors, and output surged by 1.5 per cent at utilities, driven by heavy demand for air conditioning in July's humid weather.

A 0.7 per cent increase in business inventories in June was higher than assumed in the advance second-quarter gross domestic product report. It was also the largest since a 0.8 per cent gain in April 1995.

The inventory increase was led by a 1.9 per cent rise in wholesalers' unsold goods, a five-year high. Large inventories could push second-quarter growth up in the next GDP revision but lead to manufacturing declines later on.

"Substantial inventory accumulation in the first half of this year has now led to more tempered production growth in the last few months," said Mr Stan Shipley of Merrill Lynch.

"With capacity growing at an impressive 4.2 per cent due to relatively strong capital spending, the manufacturing sector remains far from any danger in reaching a capacity limit."

NEWS: WORLD TRADE

Europe's leading telecommunications companies throw weight behind new UMTS system

Top four agree mobile phone standard

By Greg McIvor in Stockholm

Europe's four biggest suppliers of telecommunications network equipment – Ericsson of Sweden, Finland's Nokia, Siemens of Germany and France's Alcatel – yesterday threw their weight behind a new common European standard for the next generation mobile telephones.

The move raised the stakes in a transatlantic battle in the cellular telecoms market between rival European and North American suppliers competing to supply the technology which will eventually succeed GSM, the de facto world digital standard for mobile networks.

In a joint statement, the four European groups pledged support for a new wideband system called UMTS which is capable of supporting mobile transmission of data and multimedia applications such as the internet and electronic mail. Compared to the wideband system, GSM has less capacity to transmit data.

GSM is the world's leading digital mobile standard and is preferred across Europe and much of Asia, with more than 49m subscribers in some 130 countries. UMTS – Universal Mobile Telecommunications System – is seen by the companies as the best choice for a pan-European digital mobile specification to succeed GSM.

However, it faces competition from US companies such as Lucent and Northern Telecom, which support alternative standards.

The European telecommunications standardisation body, ETSI, is due to decide later this year which standard it prefers.

If it is accepted, commercial services based on UMTS are expected to be launched in 2002.

Yesterday's announcement was a fillip for Ericsson, Europe's largest telecom infrastructure supplier, and Nokia. They announced earlier this year their intention to co-operate on developing a new international wideband digital standard.

The four groups stressed UMTS would, in effect, be added on to existing GSM systems. They said this would cut costs for network operators wanting to upgrade their infrastructure to handle wideband calls.

"We are doing this not just because it is good for the suppliers, but also because its operators will be able to use existing GSM networks for the next generation [mobile technology]," Ericsson said.

UMTS would also be compatible with the new Japanese wideband mobile standard (W-CDMA) which is currently in development, raising the prospect of an integrated mobile network stretching from Europe across Asia.

China's old wine comes in new bottles

Shaoxing's vintners take a competitive position in a modern market, **James Harding** writes

There are three ancient drinks in the world, according to Mr Yue Longsheng, president of Shaoxing Yellow Wine Group. "There is beer from Germany, wine from France and Chinese wine from Shaoxing."

The first records of commercial rice wine production in the small town on China's east coast date back more than 2,600 years, making Shaoxing the Champagne region of yellow wine.

The historical pedigree has put the local vintners in a peculiarly competitive position in China's modern alcohol market: while brewers of beer and grape wine have been deluged by foreign companies scrambling for the increasingly prosperous and thirsty Chinese consumer, the rice wine makers have enjoyed the benefit of economic liberalisation, picking up foreign sales and marketing techniques without having to face head-on foreign competition.

Alcohol consumption has risen with levels of affluence in China, now the world's second biggest beer market after the US. In 1995, the Chinese drank 11bn litres of beer, 267m litres of wine and 7bn litres of grain spirits, according to a study by market analysts Euromonitor.

However, Chinese and foreign brewers have struggled to realise substantial profits in a heavily over-supplied market. There are roughly 800 domestic breweries, mostly small, local and loss-making enterprises; leading foreign beer brands, such as Budweiser, Carlsberg and Fosters, have invested heavily to penetrate the Chinese market but still take only a fraction of national sales.

The Chinese yellow wine market, on the other hand, is less crowded, profitable and growing fast: Last year, 1.28m tonnes of yellow wine was produced in China, against 750,000 tonnes five years earlier.

Shaoxing Yellow Wine controls over half the mainland Chinese market for high quality Chinese wine and faces little likelihood of challenge from foreign competitors with no experience of traditional Chinese winemaking. It expects sales to more than double from Yn190m ($22.9m) in 1994 to more than Yn400m this year.

Mr Yue says that as "lifestyles improve, people lift their habits and they start drinking high quality traditional Chinese wine", but he adds that increasing affluence alone does not explain the rising profits at Shaoxing Yellow Wine.

"Because of more competition in the beverages market, we have picked up new habits on advertising and brand management," he explains. Over the past three years, Shaoxing has increased its advertising budget from 1 per cent of sales volume to 5 per cent; it is expected to grow further.

Shaoxing has started sending its most promising sales and marketing managers overseas for a training period each year, to learn promotional skills from a leading Japanese drinks group. Like other international brewers operating in China, it has promoted its brand through sports sponsorship.

The content of Shaoxing's brand awareness campaigns is more traditional than the upbeat advertising messages from its competitors producing beer. Mr Yue says China is becoming increasingly brand-conscious. To succeed, Shaoxing needs to press home its strongest distinction: "We are a company with a long history and a good name."

Nostalgia is becoming a selling-point for other businesses in China, not least those industries in Shaoxing linked to the local vintners.

The Prosperity Tavern was made famous by Lu Xun, a celebrated Chinese writer this century, who described the old public house as it was 100 years ago:

"As you enter, there is a bar in the shape of a carpenter's square where hot water is kept ready for warming rice wine. When men come off work, they spend four coppers on a bowl of wine... and drink this warm, standing by the bar, taking it easy. Another copper will buy a plate of salted bamboo shoots or peas flavoured with aniseed."

At that time, Lu Xun's fictional character, Kong Yiji, a dissolute local intellectual, was a regular at the bar. Today, a bronze statue of the impoverished old man stands in front of the tavern and draws customers.

Today, the Prosperity Tavern remains true to Lu Xun's description, and Mr Song Jincai, general manager and chairman of the Prosperity Group, plans to create a chain of the traditional hostelries across China.

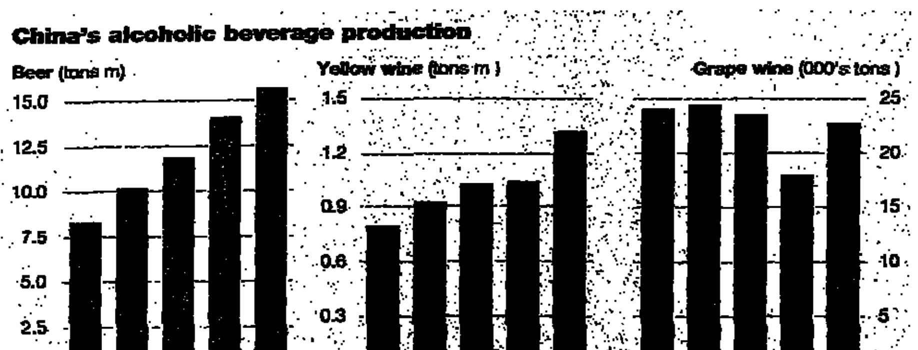
The group aims to open 20 traditional themed restaurants by the end of 1998. The first of these Prosperity Taverns is due to start up in Shanghai next year.

"Love of Chinese wine is deep-rooted in the minds of Chinese people," Mr Song says, "and when you step into a Prosperity Tavern you will step into the old world of Shaoxing... nostalgia will help sell Shaoxing wine." Like Shaoxing Yellow Wine, the Prosperity Group believes "there is no chain yet of traditional Chinese restaurants; there is no real competition".

Both know their lucrative niches may not last. Mr Yue accepts that other regions or other countries may eventually try to challenge Shaoxing for market share, but "just as a lot of countries produce wine and the wines of France remain the best, so the best Chinese wine will still come from Shaoxing".

Their challenge, Mr Yue says, is not foreign rivals, but the drinking habits of China: "Beer and wine makers have a lot of problems from foreign competition, but there are no foreigners with yellow wine expertise. Our problem is guiding consumers away from other drinks and towards traditional Chinese wines."

China's alcoholic beverage production



Source: China Light Industry Association

Taiwan in $144m offset pact with Bell

By Laura Tyson in Taipei

Taiwan will sign a pact with Bell Helicopter Textron today under which the US helicopter maker will agree to buy US$144m worth of products from Taiwanese aerospace makers.

The industrial offset deal, which follows a Taiwan government decision to buy $479m worth of attack helicopters from Bell, is expected to boost Taiwan's fledgling aerospace industry. Taipei is keen to foster a domestic aerospace industry, and is focusing efforts on developing aerospace components manufacturing capabilities as well as maintainence facilities.

In late July, the US defence department said Taiwan wanted to buy $479m worth of 21 Super Cobra attack helicopters and supporting equipment along with technical expertise.

Bell Helicopter, a subsidiary of Textron, is the world's largest helicopter maker with 58 per cent of the global helicopter market. In October 1995, Bell Helicopter started a joint-venture maintenance plant with Taiwan's unlisted Air Asia in the southern city of Tainan, to serve the booming Asian and Taiwan markets. The plant also functions as Bell's maintenance centre for both civil and military helicopters in the Asia-Pacific region.

● Dragon Airlines, the Hong Kong-based regional airline, yesterday announced an upgrading of its Airbus fleet which could more than double its size over the next four years, writes John Ridding in Hong Kong.

From February next year, the airline will start replacing its seven leased Airbus A320-200s with new leased A320s, said Mr Stanley Hui, chief executive. The airline also has orders or options to lease further A320s from International Lease Finance Corporation, or to buy further aircraft.

China insurers help on exports

By James Harding in Shanghai

The People's Insurance Company of China (PICC), the leading state insurer, has signed an agreement to underwrite $78.9m in export credit insurance for the sale of five ships to Iran, by the Beijing arm of Catic (the China National Aero-Technology Import and Export Corporation).

The PICC agreement, reported yesterday in the China Daily, the official government newspaper, underlines the growing importance of China's relatively young export credit service in increasing overseas sales for some of its state-owned heavy industries. Export credit insurance is intended to encourage exports to developing markets by protecting exporters from default on payment.

With the PICC insurance agreement in place, Catic can apply for an equivalent sum in export sellers' credits from the Export and Import Bank of China (IEBC).

Last month, China's state media reported that the IEBC signed an export credit agreement with an Iranian bank for the export of a complete set of X-ray film production equipment worth $30.6m.

The PICC began export credit insurance as a pilot project in 1989 and has since provided cover for $10bn worth of exports. However, a recent report from the Chinese Academy of Social Sciences (Cass) suggested that China needed to expand its export credit insurance services faster to keep pace with foreign trade.

According to Cass's Institute of Finance and Trade Economics, just 1.1 per cent of Chinese exports are guaranteed by export credit insurance and only 2.7 per cent of the foreign trade companies are insured exporters.

NEWS: INTERNATIONAL

Morocco's Hassan shuffles cabinet

By Roula Khalaf in London

Morocco's King Hassan II has appointed technocrats to head several ministries in a cabinet reshuffle that also saw four women take over as secretaries of state.

The reshuffle followed the King's decision earlier this month to dismiss 19 of the 36 ministers to allow them to focus on their electoral campaign in the run-up to legislative elections expected by October.

Officials yesterday lauded the new cabinet, announced late on Wednesday, as one of Morocco's strongest and the first in which portfolios have been allocated to women. But some opposition leaders dismissed it as a gimmick.

The new appointees include Mr Omar Azziman, a former minister of human rights, who becomes minister of justice, and Mr Driss Benhima, director of the national electricity office, who takes over a ministry grouping tourism, transportation, energy and mining. The finance ministry, meanwhile, has been consolidated with commerce and industry, under the direction of Mr Driss Jettou.

Officials said yesterday the appointment of technocrats and the grouping together of several ministries – the new cabinet includes 16 ministers and 10 secretaries of state – is a clear indication that the King wants a smaller government, with energetic personalities to ensure an efficient management of the transition. The heavy electoral calendar this year – which started in June with communal elections – is perceived to have further slowed social and economic reforms.

According to some analysts, however, the new cabinet may also be intended as a signal to the opposition to fall in line or see the elections postponed. The opposition Socialist Union of Popular Forces (USFP), in particular, has criticised the conduct of the communal elections.

"This is a government that is open to all options; it is intended to effectively manage the transition or stay for a longer period if elections are pushed back," said an analyst close to the opposition.

"The cabinet is not important – what is important is whether the elections will take place," said a USFP official yesterday. "Good government is not made of good technocrats, but of a particular kind of policy and of people who have political legitimacy."

King Hassan intends the elections to mark Morocco's transition towards a more democratic system. Earlier this year, Mr Driss Basri, interior minister, signed an agreement with opposition parties committing the government to a fair poll for the first time. But while direct interference from the interior ministry was reduced in the June communal elections, some opposition parties have attacked their conduct and results.

Abkhaz leader visits Georgia

By Anatol Lieven in London

The leader of the Georgian separatist region of Abkhazia, Mr Vadislav Ardzinba, made a surprise visit to Georgia yesterday for the first time since the start of the Georgian-Abkhaz War.

He held talks with with Georgian President Eduard Shevardnadze, who on Monday declared: "Negotiations to finding a solution are entering their final phase." No immediate results of the talks were announced, however. In 1993, the Abkhaz in effect separated from Georgia after winning a crushing military victory, allegedly with Russian help.

Since 1994, a Russian peacekeeping force has patrolled the border region between the two countries. For the past five years, Russia has also imposed a crippling economic blockade on Abkhazia, which Moscow officially regards as still part of Georgia.

Mr Ardzinba visited Tbilisi yesterday in the company of Russia's foreign minister, Mr Yevgeny Primakov, who said: "Russia is doing everything to end this conflict which has taken the lives of so many people. Those who think Russia is not doing enough are mistaken."

Russian efforts to find a solution to the conflict have been galvanised by new American interest in the Transcaucasus. Last month, Mr Shevardnadze visited Washington and claimed to have received promises of American support for an international peacekeeping force to replace Russian troops under CIS auspices. Their mandate officially expired on July 31.

Privately, however, US officials are adamant that American forces would not take part. Georgia has agreed that the Russian peacekeepers should stay until a decision can be made by a summit of the Commonwealth of Independent States. International officials fear that if the peacekeepers withdrew without a settlement, the war could resume.

Moves for a Georgian-Abkhaz settlement have previously broken down over two issues: Abkhaz sovereignty, and the return of Georgian refugees who fled from Abkhazia in the closing stages of the war.

Mr Ardzinba's government has offered a confederation with Georgia, but the Georgians insist on the restoration of an integral state, though with full Abkhaz autonomy.

The Georgians also demand the return of all Georgian refugees – numbering more than 250,000 – to their former homes. The Abkhaz know they would then be outnumbered by Georgians, who before the war numbered 45 per cent of Abkhazia's population to the Abkhaz 19 per cent.

Tribunal detains Kambanda

Mr Jean Kambanda, the former prime minister of Rwanda, accused of presiding over the government which perpetrated the 1994 genocide in Rwanda, has had his detention extended by 30 days by a tribunal in Tanzania, Reuter writes from Arusha, Tanzania. Prosecutors said the extra time was necessary because of the case's complexity and difficulties investigating him.

A Belgian, Mr George Ruggiu, also appeared before the tribunal, the first non-Rwandan seized on suspicion of involvement in the slaughter in 1994.

The two are suspected of having participated in the deaths of an estimated 800,000 Tutsis and Hutu moderates in Rwanda in 1994.

The International Criminal Tribunal for Rwanda was set up in 1994 to bring to justice leaders of the 1994 genocide.

Kambanda leaves court after prosecutors asked for his detention to be extended Reuter

Israeli union warns on reform

By Avi Machlis in Jerusalem

The Histadrut, Israel's powerful trade union federation, will decide on Sunday whether to declare a labour dispute in an attempt to thwart implementation of a package of economic reforms approved earlier this week.

The union is responding to a series of about 100 reforms approved for next year aimed at increasing competition in the Israeli economy. Economists have said the reforms stand little chance of being carried out if the government fails to appease Histadrut, which boasts 780,000 members out of Israel's total workforce of 1.35m.

Mr Ya'acov Ne'eman, the new finance minister, yesterday met Mr Amir Peretz, Histadrut secretary general, in an attempt to reassure the unions that the planned reforms are in the workers' best interests. But after the meeting Mr Peretz labelled the reforms "a programme for increasing unemployment in Israel, attacking workers' rights in almost every sector". He did not rule out calling a general strike.

At a cabinet meeting on Wednesday night, the government also approved a series of economic reforms and a budgetary framework for 1998. The Shk164.4bn ($46.7bn) budget planned includes a cut of Shk2.3bn, and is aimed at reducing the budget deficit from the targeted 2.8 per cent of gross domestic product this year to 2.4 per cent of GDP. The cabinet also set an inflation target of 7 to 10 per cent for 1998. This year, inflation is expected to close in on 10 per cent, the upper limit of the government's target.

Passing the budget may prove more of a problem than agreeing it in cabinet, however. Mr David Levy, the foreign minister, whose Gesher party was elected on a social-welfare platform, and Mr Yitzhak Mordecai, the defence minister, have already voiced objections.

INTERNATIONAL NEWS DIGEST

Albright will visit Israel

Mrs Madeleine Albright, US secretary of state, has decided to travel to the Middle East but the trip may not take place before September, the state department said yesterday. Mr James Rubin, the state department spokesman, said the date would depend on the results of security co-operation between Palestinians and Israelis. Mrs Albright will also visit other countries in the region, he added.

In a speech on August 6 marking new US commitments to save the peace process, Mrs Albright said she was prepared to make her first trip to the Middle East if progress was made on security, following the double suicide bombings in Jerusalem more than two weeks ago. Mr Dennis Ross, the US Middle East peace envoy, returned to Washington this week after a four-day mediating mission, in which the only visible achievement was the setting up of a joint Israeli-Palestinian security forum which includes US officials.

Mr David Bar-Illan, chief spokesman for Mr Benjamin Netanyahu, said Israel was "encouraged" by the "businesslike atmosphere" at meetings in recent days between Israeli and Palestinian security officials. *Avi Machlis, Jerusalem, Reuter, Washington*

■ SANCTIONS PROPOSED

UN threatens Unita action

The UN Security Council is "on course" to impose sanctions against Mr Jonas Savimbi's Unita movement if it continues to obstruct peace efforts in Angola, officials said last night. Members were waiting for a report, due today, from Mr Kofi Annan, the secretary-general, before considering measures that could include travel restrictions, a tightened arms embargo and possible actions affecting diamond mining.

The UN, which has 3,500 peacekeepers in the country, has accused Mr Savimbi of blatantly under-reporting Unita troop strength. Political elements of the peace process, including normalisation of the state administration, have also been obstructed.

The UN observer mission in Angola has been repeatedly harassed in Unita-controlled areas and UN personnel, along with those of international humanitarian agencies, have been roughed up. In a statement last month, the Security Council voiced concern that tension in the North was spreading. *Michael Littlejohns, UN, New York*

■ IRAQI SHAKE-UP

Saddam appoints general

The Iraqi opposition reported yesterday that the Iraqi strongman, Mr Saddam Hussein, has removed his son Qusay as commander of the Special Republican Guard, responsible for security in Baghdad.

The London-based Iraq National Congress said Major General Kamal Mustafa al Tikriti, the most prominent professional officer among Mr Saddam's immediate family, had taken over from Qusay.

The INC said the move was part of Mr Saddam's recent efforts to reshuffle the security apparatus, following last December's failed assassination attempt against his son Uday, who is said to have been critical of Qusay's handling of security in Baghdad.

Mr Saddam is reported to have recently replaced the heads of military intelligence, public security and police. *Roula Khalaf, London*

هكذا من الأصل

Indonesia sees landscape alter

By Greg Earl in Jakarta

When Dr Soedradjad Djiwandono, governor of Indonesia's central bank, stood up to address a conference to mark the 20th anniversary of the country's capital market yesterday, there was only one thing the financiers wanted to hear.

The rupiah had already been floating for over a hour without an official announcement from a government minister. But Dr Soedradjad made the audience wait 10 minutes into his speech before he confirmed the decision to float the rupiah, as if to underline his message it should not be seen as a surprise move.

While not wholly unexpected, the devaluation – a development of huge significance for a country which has seen three devaluations averaging 40 per cent in the past two decades – has changed the landscape for Indonesia's commercial sector, which had taken comfort from the way the central bank has so far managed the south-east Asian currency upheaval.

The currency deregulation underlined how much the regional market landscape has changed since the Thai baht was floated on July 2. Shortly after the Thai depreciation, Indonesia responded with a pre-emptive move to widen its rupiah trading band from 8 to 12 per cent.

With Thailand, the Philippines and Malaysia all allowing significant new liberalisation, and even the Singapore dollar taking a decline, Indonesia's trading band approach had made it the target for international hedge fund speculators.

As Dr Soedradjad said, a currency management technique once seen as a plus was now a disadvantage and a potentially costly burden to the central bank, which has spent less money defending its currency than its neighbours.

A few weeks ago, Indonesia had been expecting continued strong growth of 7-8 per cent with falling inflation pulling down interest rates. Much now depends on how well the central bank can restrain use of firmer monetary policy to smooth the change to a floating rupiah.

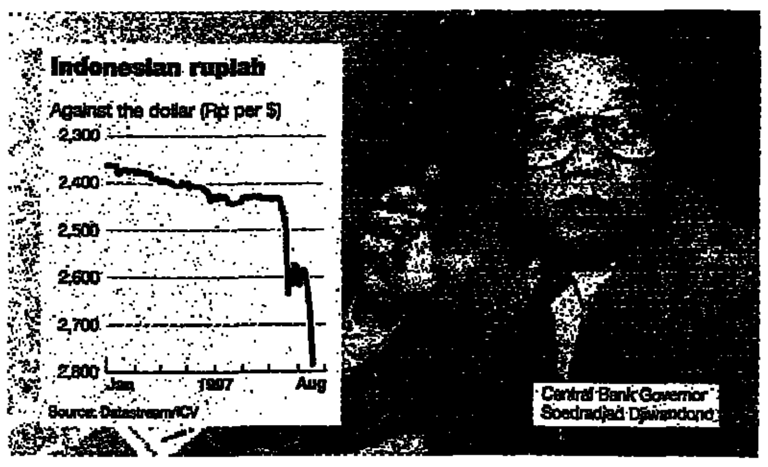
Dr Soedradjad, a US-educated economics professor, can rightly claim he has been preparing the country for yesterday's decision since he took over the central bank job four years ago with a commitment to no more shock economic moves.

The trading band has been widened seven times since 1993 when it was 0.5 per cent, to where it had become such a ritual that most market participants were more focused on a move to 20 per cent rather than a float.

Dr Soedradjad has introduced other measures to move more of the risk of foreign exchange trading to the market. Yesterday's 6 per cent depreciation will benefit exporters, but represents a victory for the central bank over the finance ministry in a long-running tussle over the direction of Indonesian monetary management.

Dr Soedradjad is believed to have favoured a freer exchange rate policy to fight inflation and ease the pressure on interest rates; Mr Mar'ie Muhammad, finance minister, has been seen to favour the country's long-standing annual 3-5 per cent managed depreciation to help export competitiveness.

What remains to be seen is whether Indonesia's increasingly modern corporate sector with increased foreign debt exposure has taken Dr Soedradjad's moves to heart and has prepared itself for the new financial era which began yesterday.



Central Bank Governor Soedradjad Djiwandono

China confirms $1bn support

By James Harding in Shanghai

China yesterday confirmed that it would contribute $1bn to the $16bn rescue package for Thailand put together by the International Monetary Fund and a group of Asian countries.

Beijing's participation in the rescue marks a new level of Chinese involvement in financial co-operation in the region.

The People's Bank of China, the central bank, notified the IMF on Wednesday night it would provide $1bn.

China's loan will have terms of three to five years and will generate interest calculated at market rates, according to Xinhua, the state news agency.

Mr Dai Xianglong, central bank governor, gave a strong defence of co-ordinated financial support for the Thai baht, which was devalued in July amid regional currency instability.

"This package is good for stability in the Asian international economies... this method is absolutely essential," he said.

"China and Thailand are friendly neighbouring countries," Mr Dai said, suggesting that regional politics was a factor behind China's first pledge to a concerted initiative to stabilise Asian currencies.

Economists have argued that it would be in China's interest to take part in the rescue fund, as Thailand is an important market for Chinese goods as well as a substantial investor in China, particularly in the poor provinces in the south west of the country.

The PBOC also announced yesterday that China's foreign exchange reserves had risen to $126bn, up $21bn from the beginning of the year.

Beijing keeps firm control of capital transfers, in effect blocking any sharp movement in the Chinese yuan's exchange rate, even though the rising foreign exchange reserves are seen by some as a reason for the currency to appreciate.

Analysts suggest China's rigid control of its exchange rate has kept its exports cheap and exacerbated the competitiveness problems of rival manufacturing economies in south-east Asia.

Separately, Mr Dai defended current interest rate levels, saying that "taking into consideration the interest of depositors... we believe the current rate is still appropriate."

Public support slips from Thai PM

On a recent Thai television talk show, guests were asked if the new *constitution*, designed to reduce the influence of money in politics and create a more efficient cabinet, would be approved by parliament next month.

Analysts stated their positions, which fell into two camps: those who thought it would be defeated by politicians eager to keep power and privilege and those who thought it would pass because it would be the only way for the government of Gen Chavalit Yongchaiyudh to begin regaining the confidence of the public, which overwhelmingly supports the new charter.

A member of the audience stood up and said there was absolutely no way the new constitution would be approved, he had certain proof. Asked for his evidence, he said: "Because Gen Chavalit says it will pass. Whenever he says anything, the opposite comes true."

Amid economic turmoil and a humiliating turn to the International Monetary Fund for help, Bangkok has lost confidence in Gen Chavalit's nine-month-old, six-party coalition government and in the prime minister himself. As Bangkok people are those who traditionally bring down Thai governments. Gen Chavalit's days seem to be numbered.

But with the prospect of a new constitution hanging over the Thai body politic like an olive branch, the military's steadfast refusal to stage a coup against one of its own, and economic stability temporarily subcontracted out to foreigners, Gen Chavalit still has six weeks before the charter vote on September 26 to engineer a comeback.

Hold on to your hats, analysts say. The turmoil could complicate the government's ability to push through IMF-mandated reforms and make it ineffective in heading off social unrest.

"We are going to see a lot of instability and uncertainty over the next six weeks, there is a sense that the government is losing control," says Mr Surin Pitsuwan, an MP from the opposition Democrat party and former deputy foreign minister.

"There will be lots of movement, within parliament, within the coalition and within society at large. The body is so weak that all the complications are happening at the same time," he says.

Yesterday for example, leading Thai academics met Mr Prem Tinsulanonda, a royal adviser, and then Gen Chavalit to lobby for a national government combining the best of the four main political parties under an unspecified prime minister. Intellectuals close to the royal palace are said to support such an idea.

But the idea immediately flopped. No opposition party is yet willing to board a sinking ship, to be responsible for managing the social consequences of an economic downturn, rising inflation and growing unemployment. Instead they are planning a no-confidence debate for the middle of next month, although senior opposition figures admit they want a new coalition.

They do not want new elections under the current system which has produced two disastrous governments in a row.

Gen Chavalit could still take a bold move and win public support by declaring unwavering support for the new constitution and promise to lobby hard for its passage. This would alienate influential cabinet and party members already opposed to the charter, and be out of character for a man who has a self-acknowledged desire to be everybody's friend.

"He needs to seize the opportunity," says an Asian diplomat. "Unfortunately what we've seen with the economy is an attempt to muddle until its too late."

Ted Bardacke

Chavalit's record: nine long months in Thai politics


Chavalit Yongchaiyudh: Thailand's prime minister

Nov 17 1996: elected

Feb 5 1997: Developer Somprasong Land defaults on Eurobond. Government moves to prop property sector

Mar 10: IMF's Camdessus says if Thais move quickly to impose discipline on financial institutions "I don't see any reason for this crisis to develop any further"

Apr 2: Central bank urges struggling finance companies to merge but continues to provide emergency liquidity funding. No mergers.

May 8: Finance minister Amnuay says he is unable to convince cabinet to cut budget further

May 21: Cabinet approves tax increases

Jun 18: Cabinet reverses tax increases

Jun 20 1997: Amnuay resigns, citing political interference

Jun 27: Central bank shuts down 16 ailing finance companies

Jun 30: Chavalit says no more financial institutions will be shut down. Baht will not be devalued

Jul 2: Baht floated, falling 23 per cent

Jul 7: Government denies IMF assistance needed

Jul 28: IMF announces discussions with Thai government

Jul 29: Central bank governor resigns, citing political interference

Aug 5: 42 finance companies shut down

Aug 7: King meets Chavalit as run on financial institutions continues; rumours of military coup

Aug 11: $16bn bailout

The Thai prime minister, Gen Chavalit Yongchaiyudh, was expected to name two new members to his economic cabinet late last night, writes Ted Bardacke in Bangkok. Mr Vriaphongse Ramakurn, a former finance minister, is expected to be deputy prime minister for economic affairs, a position vacated when the former finance minister, Mr Amnuay Viravan, resigned. Mr Thaksin Shinawatra, a telecommunications tycoon, is expected to replace Mr Narongchai Akrasanee as commerce minister. Mr Thaksin's return is an attempt to exploit his popularity in Bangkok. Mr Vriaphongse is a member of the board of directors of the Bank of Thailand and has advocated tough government action to contain the country's financial crisis.

Bad debts may force Korean bank bail-out

By John Burton in Seoul

A possible downgrading of the international credit ratings of South Korean banks has forced the government to consider giving financial help to a banking industry burdened by bad debts since several big conglomerates collapsed.

The main commercial banks are having difficulties in raising long-term foreign loans since the Kia car group nearly failed last month. The finance ministry is studying rescue measures for Korea First Bank, which has been hit the hardest by loan defaults.

This follows a decision this week by the central bank to grant $1bn in low-interest emergency loans to seven commercial banks to ease dollar shortages. It provided the same amount of loans to the banks in March and June.

"The situation is potentially serious, although we are confident we can overcome it," said a senior economic official yesterday.

The action is seen as an effort to assure foreign lenders that the government will not allow any of the main banks to collapse. The banks are having trouble raising loans abroad after Standard & Poor's and Moody's Investors Services, the US credit rating agencies, warned of possible downgrading for most of the main commercial and state-run banks.

Korea First has a loan exposure of nearly Won3,000bn ($3.35bn) to Kia and the bankrupt Hanbo and Sammi steel groups that exceeds its equity. Its S&P credit rating of BBB- is the worst among the banks and any further downgrading would give a speculative grade that would block its ability to issue long-term bonds overseas.

Foreign banks have increased their lending rates to Korea First to 60-70 basis points above London inter-bank offer rate, against 20-30 basis points a year ago.

Officials said their preference was to recapitalise Korea First through a rights issue the government might underwrite. Other possible solutions would include giving soft loans to the bank, which has already requested Won3,000bn in special state loans. Government payment guarantees for foreign loans may be extended, while reserve requirements for bad debts may be eased.

But any state aid to Korea First would depend on the bank reducing costs in an effort to restore profitability after reporting record losses of more than Won300bn during the first half of this year.

Korea Bank recently said it would cut 1,110 jobs and raise Won500bn through property sales, but this is considered insufficient by most analysts.

Savings and insurance system

Japanese postal arm to cut jobs

By Gillian Tett in Tokyo

Japan's state-owned postal savings and insurance system has pledged to reduce its work force by 20 per cent, the first public-sector group to announce big job cuts in the face of rising pressure to become more efficient and avert possible privatisation.

The workforce of 37,000 will be cut by about 8,000 and take place over the next 10 years, officials at the Post and Telecommunications Ministry said. The cuts will be achieved through attrition and a reduction in recruitment.

The decision to slash staff numbers at the postal office – which has Y230,000bn ($2,000bn) worth of deposits and is the largest state savings scheme in the world – is a departure from the convention in Japan, where traditionally private and public sector companies have offered guarantees of "life-time" employment.

The pressure for reform at the post office is one consequence of Japanese banks' complaints that they will be at an unfair disadvantage after the "Big Bang" financial deregulations if the postal system is not opened up to market competition.

The government's administrative reform council, a group set up to make government units more efficient, is due to consider next week ways of restructuring public-sector institutions. On the agenda are sweeping changes at the postal savings system.

One reason for the popularity of the post office, which continues to attract rising savings, is the loss of public confidence in the private financial sector, because of recent banking scandals, bank failures and the collapse of a life assurance group.

● The IMF has called upon Japan to speed up the pace of its deregulation. Its comments emerged in a report of its annual meeting with Japanese officials in late July.

The Fund said though rates should be left on hold for the moment, they may need to be increased from the current record low levels of 0.5 per cent towards the end of the year. It said such rates "were not appropriate over the medium term". Rates have been held at 0.5 per cent since autumn of 1995, in an effort to stimulate the economy.

NZ corruption charges 'false'

By Terry Hall in Wellington

Mr Winston Peters, New Zealand's deputy prime minister, made "false and completely unjustified" allegations against leading companies and senior government officials, according to an independent commission of inquiry into tax evasion.

The report into the "winebox" scandal – named after stolen company documents placed in a winebox – concluded there was no evidence of tax fraud as claimed by Mr Peters, the leader of the New Zealand First party, which is the junior member of New Zealand's governing coalition.

The report, which took three years to complete and cost $NZ14m (US$8.9m), will cause further problems for Mr Peters, a flamboyant politician whose party has seen its opinion poll ratings slump since last year's general election.

Mr Peters dismissed the 1,000-page report. He said it did not focus on his allegations, and that he would not apologise to those involved. He said he would seek a judicial review of the findings.

However, Mr Jim Bolger, prime minister, said he was delighted with the report's findings that there was no wrong-doing within the Inland Revenue and the Serious Fraud Office.

Mr Bolger's response suggested that the already tense relationship between the prime minister and his coalition partner was under further strain. Mr Peters was a cabinet minister in Mr Bolger's previous National government, but acrimoniously broke away to form his own party.

The inquiry was set up after Mr Peters accused Mr Charles Sturt, head of the Serious Fraud Office, and Mr David Henry, head of the Inland Revenue, of corruption. He said the officials had refused to prosecute a number of big companies using the Cook Islands as a tax haven and named in the winebox of documents.

The report said important changes had been made to the New Zealand tax laws since the 1980s, when tax was widely regarded as "a cost of doing business and was to be avoided to every extent possible under the letter of the law".

NEWS: UK

Spending watchdog criticises projects three years behind schedule and well over budget

Defence orders 'suffering severe delays'

By George Parker, Political Correspondent

Endemic failures in the Ministry of Defence's equipment programme were exposed yesterday in a report which showed that big projects were £1.8bn ($2.1bn) over budget and running on average three years late.

The National Audit Office, the government spending watchdog, catalogued a string of procurement disasters, which included numerous crashes in a prototype Royal Navy helicopter and a new Army battle tank with a defective turret.

Its annual report on 25 procurement projects revealed cost overruns and delays were worsening despite repeated assurances from the ministry that it was taking a tighter grip on the programme.

The audit office also revealed that procurement was so badly behind schedule that Britain's defences were being put at risk, and that outdated ships, tanks and aircraft were being patched up at a cost of £400m.

Last month Mr George Robertson, the chief defence minister, set out plans for a move to "smart procurement" practices, including importing ideas from the Pentagon, which some officials believe could save up to 10 per cent from the £9bn procurement budget.

"There is room for improvement and the secretary of state is committed to improvement," the ministry said. "We are doing so in some areas already – we want to build on best practice."

The 1996 NAO Major Projects Report found a £1.37bn increase in projected costs for 23 projects, amounting to a 8.7 per cent overshoot.

Damaging and costly delays added five months on average to the projects, taking the delay on the in-service date from 35 months to 40 months. Six projects were put back by more than a year during 1996, while only five were expected to be completed on time.

The audit office found that the most common single reason for cost rises was changes to the nature or scope of specific projects. Meanwhile, technical difficulties and budgetary constraints were the main reasons for delays to equipment programmes.

The Cobra weapon-locating radar under development for Britain, France and Germany is now expected to be eight years and five months late entering service.

Meanwhile the new Challenger 2 tank will be three years late because production quality has been too variable coupled with delays to the support package.

The tank was sent back to Vickers, the engineering group, for further work after the Army complained about numerous faults, many of them in the sighting or gun control mechanism.

Mr Bruce George, the Labour MP who chairs the House of Commons defence committee, said the Challenger 2 was the latest in a line of flawed tanks ordered by the ministry. "These kinds of problems give the Treasury the excuse it needs to take billions of pounds out of the defence budget," he said.

Young stars outshine music's old faithfuls

By Alice Rawsthorn in London

Ageing rock stars are finding it increasingly difficult to compete against the new generation of successful young British acts such as Oasis and the Spice Girls.

A study by Media Research Publishing, a research consultancy, shows that artists with careers lasting longer than five years were responsible for 29 per cent of the UK's best-selling new albums UK between 1994 and 1996 compared with 59 per cent in the previous three years.

Last year alone, older artists, including Sting, Phil Collins, Def Leppard and the Pet Shop Boys, released albums that failed to match the sales of their predecessors.

The dwindling popularity of such stars poses a financial problem for record labels, which may be locked into expensive long-term contracts with them.

Many of these contracts, often signed at the peak of the artists' careers, oblige record companies to pay multimillion pound advances on the delivery of new albums. Unless the album bucks the downward trend, the label may not sell enough copies to recoup the advance.

One explanation for the declining sales of older superstars is their failure to attract younger fans.

However, record companies have found it difficult to promote such acts since Radio 1, the BBC's national pop station, and many of the large commercial stations have adopted policies of playing more experimental music.

Conversely, it has become considerably easier for record labels to launch new acts. Only four of the 50 best-selling albums in each of 1992 and 1993 came from artists whose careers were less than two years old. This compares with 10 in 1996 when new acts such as Ocean Colour Scene, Kula Shaker, Space, Cast and the Spice Girls were among the Top 50.

The rapid success of young stars bodes well for record companies because it enlivens the music market. Moreover, many of the latest wave of young UK acts are selling well internationally. Oasis and the Spice Girls are popular worldwide. Bush is one of the best-selling acts in north America, and Jamiroquai is successful across Europe and Asia.

Classical music sales fell sharply during the second quarter of the year, the British Phonographic Industry reported yesterday, Alice Rawsthorn writes. The BPI is the trade association for UK record companies. Value sales slipped to £11.7m ($19m), a 22 per cent decline on the same period of 1996, and volume sales were 20.5 per cent lower at 2.83m units. Similarly, classical music's share of the total album market fell to 7.1 per cent compared with 8.3 per cent a year before. Adiemus II – Cantata Mundi was the best-selling classical album of the period, followed by the soundtrack to The English Patient. The second quarter downturn follows a difficult period for the classical market, which revived in the 1980s when consumers bought CDs to replace vinyl recordings. It was boosted in the early 1990s by the success of best-selling albums by the violinist Nigel Kennedy, and those by the Three Tenors.

The Spice Girls: the group's records were among the 50 best-sellers of 1996

Record $163,000 fine is levied for mis-selling

By Jean Eaglesham in London

The Personal Investment Authority yesterday levied its largest fine yet for pensions mis-selling in a clear signal that it intends to toughen up its policing of the £4bn ($6.52bn) personal pensions review.

M&E Network Limited, the country's third largest network of independent financial advisers, was fined £100,000 ($163,000), plus £25,000 costs.

The PIA said that M&E had "failed to take all reasonable steps to carry out the review" in accordance with the standards set by the regulators. In particular, M&E had delayed sending out the initial review questionnaires, posting them in June 1996, almost three months after the March deadline.

Mr Brian Kays, M&E's chairman, said the company was being "victimised" by the regulator. He claimed M&E has just 368 cases which needed assessing, of which 309 had been completed, compared with the 432,387 cases being reviewed by the 24 companies with the highest number of cases.

"Sure, we were technically in breach [of the review procedures] but we are on schedule to finish it on time. Our exposure is very small relative to the industry as a whole," he said. "I do not think kicking the hell out of the good guys is going to achieve what [the regulators] want to achieve."

The PIA rejected the allegation that it was overreacting. "Today's fine is the latest of a number [39] of fines related to the way in which firms are carrying out the pensions review. PIA will take whatever steps are necessary to ensure the review is carried out expeditiously and to a consistently high standard," it said.

The tensions between the regulator and the financial services industry look set to deepen over the coming months as more firms are punished for their conduct of the review. It emerged last month that the biggest network, DBS, is in line for a record £500,000 fine from the PIA. The PIA's fellow regulator, the Investment Management Regulatory Organisation, has already punished a number of firms in connection with the review. In January, it fined Lloyds Bank a record £325,000.

Other big firms could now face punishment, from the government as well as the regulators. The 24 firms with the highest number of cases have been "named and shamed" as part of a high profile government campaign to get the review finished. Mrs Helen Liddell, economic secretary at the Treasury, said last month that she was "profoundly depressed" by the "extremely disappointing" figures.

These showed that just 20,545 people out of the 432,387 cases had been offered compensation. Mrs Liddell has warned that she is considering unspecified sanctions for firms which fail to show substantial progress by this autumn.

Voting history haunts Scots

Majority in favour of devolution may not be big enough to endorse change

Ever since Labour ministers began preparing their scheme for a Scottish parliament, they have nursed the secret anxiety that, even if a majority votes Yes on September 11, the number voting might be too low to amount to a strong endorsement for such an important constitutional change.

An opinion poll late last month showed support for a Scottish parliament holding steady at 65 per cent, with only 19 per cent opposed.

On the second referendum question – on whether the parliament should have the power to vary taxes – 54 per cent were in favour and 27 per cent against.

But supporters of Scottish devolution are haunted by memories of the a Labour government's last referendum in 1979. The narrow vote in favour of a Scottish assembly – 33 per cent to 32 per cent – did not meet the threshold imposed after a campaign by dissident MPs. For the vote to be won, 40 per cent of those eligible to vote had to vote Yes. Mr Donald Dewar, chief minister for Scotland, says that this time there are "no fancy fanchises".

On the performance of the No campaign so far, the government could be forgiven a twinge of concern that there is little to stir the less impassioned supporters of devolution.

The most effective campaigner against devolution this month has been Mr Tam Dalyell, an MP in the governing Labour party. He warns that the proposed Scottish parliament would be "the entrance to a motorway to a separate Scotland". But Mr Dalyell is not part of an organised campaign.

The Think Twice campaign, which wants a double No vote and is open to all parties, lacks most of the leading figures who have argued against devolution in the past.

But it has enrolled Lord Weir, chairman of the Weir Group, the engineering company.

But trenchant critics of a Scottish parliament's tax-raising functions such as Sir Bruce Pattullo, governor of Bank of Scotland, and Sir Alick Rankin, chairman of General Accident, are not involved.

"Scottish business is keeping its head beneath the parapet," says Lord Fraser of Carmyllie, the former Tory minister who is director of Think Twice.

The Confederation of British Industry in Scotland is to publish a detailed critique of the parliament's tax plans, but not until early September.

The Institute of Directors in Scotland will not ask for its members' views on devolution until after the referendum because of the summer break.

Of the political parties, only the Conservatives oppose devolution. But all their Scottish MPs were ousted in the general election on May 1. Furthermore, a minority of their members wants devolution.

Think Twice hopes to raise £200,000 to fight devolution and "we are steadily moving towards that," Lord Fraser says. But it fears it is being beaten by Scotland Forward, a coalition for devolution that is funded by trade unions, some municipal authorities and individuals, but not political parties.

"Our role is to create a background awareness of the issues, and to facilitate the political parties working together," says Mr Nigel Smith, the chairman of Scotland Forward, who is managing director of a Glasgow engineering company. "They are the experts at getting the vote out."

James Buxton

Business warms to Welsh assembly

By Liam Halligan in Cardiff

Business support for Welsh devolution is growing, it emerged this week. The Institute of Directors is set to endorse the Labour government's plans for an assembly in Cardiff, the capital of Wales. The Confederation of British Industry, the largest employers' lobby in Britain, is also showing the first signs of support.

With the outcome of the September 18 referendum about a Welsh assembly still in the balance, signs of commercial support will be welcomed by the government.

The Welsh business community played a crucial role in the four-to-one rejection of devolution in 1979. It has stayed tight-lipped throughout the present campaign.

Although the institute is still in consultation, it is expected to declare itself in favour of the proposed 60-member assembly after a meeting between senior members and Mr Ron Davies, the chief minister for Wales, on September 5. "We are consulting widely, and there now appears to be a great deal less animosity than there was in 1979," said Mr Meirion Lewis, director of the institute in Wales.

The CBI, which has raised objections that the assembly would be bureaucratic and might agitate for tax-raising powers, also seems to be changing its neutral stance. "We still have some reservations, but in general we welcomed the white paper [government proposals]," said Ms Elizabeth Haywood, director of the Welsh CBI.

"There was a strong rejectionist tendency in 1979 which is no longer there," she said, adding that members were "pleased" with the "consultative role for business" outlined in the government's proposals.

Mr Peter Hain, a junior minister for Wales, took the Yes campaign to the South Wales valleys, a traditional Labour stronghold which rejected devolution last time. "The party was split in 1979, but now there is a consistent pro-devolution message," said Mr Hain.

But most voters reacted positively to Mr Hain, saying that a Welsh assembly would give the region "proper representation both in Westminster and Europe".

Unlike Labour's well-funded Yes campaign, the Just Say No movement appears to be on a tight budget. "The government has broken the Treaty of Rome by not giving equal funding to both sides," said Mrs Carys Pugh, a prominent Labour opponent of devolution.

Mine company may face Battle of Town's End

Environmentalists want to protect green belt site while RJB needs to boost opencast operation

A 300 ha stretch of green belt land near the northern England city of Leeds is shaping up to be the latest battleground in the fight between coal miners and environmentalists over opencast mining in Britain.

Eighteenth century maps of the area describe the land as "town's end", and that is what environmentalists want it to remain: a place where the countryside begins.

Activists say three historic paths wend their way through the land, and that it contains two areas of woodland which should be preserved. "Green belts" are the supposedly sacrosanct areas around cities and towns which prevent them joining to form vast conurbations. "The site is the biggest green belt site in England. If we lose this one, nothing will be safe," says Mr Ken Swann, local chairman of the Council for the Protection of Rural England and chairman of Yorkshire Opencast Objectors.

Two weeks ago, RJB Mining, the successor in England to the state-owned British Coal and the UK's biggest coal miner, lodged a planning application with local district councils to extract up to 2.2m tonnes of coal from the site.

The company's application came just a week before the government issued a consultation document seeking views about current planning guidance for opencast mining. In particular the government wants the public's response – by the end of October – to a plan drawn up by the governing Labour party when it was in opposition.

This plan, if implemented, would toughen what the mining industry regards as already restrictive planning regulations. In opposition, Labour wanted to limit opencast mining to an operation "only where it is of benefit to the local community and the local environment", such as clearing up derelict land. In short, a strict observance by the government of Labour's principles in opposition would virtually rule out the use of green belt land for mining and see opencast mining phased out in the coming years.

The opencast mining industry already regards itself as under pressure from planning regulations introduced in 1994. In 1995/96, 11m tonnes of opencast coal was mined, accounting for a quarter of all coal mined in England and Wales. But the 1994 rules removed the presumption in favour of opencast mining that was present in earlier guidance to municipal planning officers.

RJB wants to mine the Yorkshire site over a five-year period; it says it needs the coal to blend with deep mined coal to help it reduce the overall chlorine content of the product it sells to power stations. Deep mined coal in England is high in chlorine, a substance that damages boilers in power stations.

RJB mined about 34m tonnes of coal last year; of this, some 7m tonnes came from opencast mining. The company says it needs to retain a 1:4 ratio of opencast to deep mined coal so that the latter remains competitive in the power station market.

"We need a rolling programme to make up production lost from mines closing down," says Mr John Gough, RJB's development director. "By 1998, we'll have a shortfall of half a million tonnes to a million tonnes of opencast coal and by 1999 the shortfall will rise to two million tonnes."

Simon Holberton

UK NEWS DIGEST

More change at Lloyd's council

The rapid influx of corporate capital into Lloyd's of London has forced the insurance market to review the make-up of its ruling council, raising fears among Names that they may lose influence in future decision-making.

Lloyd's said it is to give another seat on its ruling council to the new-style corporate investors who have over the last three years replaced dwindling numbers of the individuals called Names as capital providers.

It will also consider whether further change is needed. Corporate capital is expected to provide more than half the funds backing Lloyd's next year compared with 44 per cent now, but has only one of the six seats on the council for external members. *Christopher Adams, London*

■ TRAFFIC MANAGEMENT

Motorway restrictions ahead

Motorway junctions could be closed at peak hours and hard shoulders (emergency lanes) turned into bus and truck lanes under controversial measures to ease congestion being considered by ministers.

Mr John Prescott, the deputy prime minister, is considering a range of traffic management measures pioneered in the US as an alternative to widening existing motorways. He is considering rush hour closures of some entry points to congested motorways such as the M6 in the English Midlands and the M25 London orbital route.

The aim would be to restrict local traffic from using busy motorways for short journeys, thereby easing the flow of long distance commercial and business traffic. Motoring organisations said the change would lead to congestion, pollution and accidents as motorway traffic switched to residential streets. *George Parker, London*

■ TRAVEL INDUSTRY

Move to sell internet currency

Thomas Cook, an offshoot of Westdeutsche Landesbank, plans soon to become the first travel agent to sell foreign exchange over the internet. The company is the largest supplier of leisure consumer foreign exchange in Britain with 25 per cent of the £13bn ($21.2bn) market.

It will also become the first retail travel agent in the UK to sell holidays over the internet when it adapts its site next month. The move underlines the pressure on travel agents to use new technology, which would otherwise threaten their role, to their advantage. On-line and electronic booking systems could theoretically eliminate travel agents by linking customers with suppliers, such as hotels and airlines. *Scheherazade Daneshkhu, London*

■ NORTHERN IRELAND

Prison damage 'worst ever seen'

Damage caused to the high-security Maze Prison in Northern Ireland by prisoners from the outlawed Loyalist Volunteer Force was the worst ever seen by warders, the region's Prison Service said yesterday. The LVF is a breakaway organisation which rejects the ceasefire observed since 1994 by other anti-nationalist "loyalist" paramilitary organisations. Warders said there had been 14 hours of "wanton destruction" by LVF prisoners.

■ CORRECTION

A-level subjects

The number of students taking history at A-level this year fell by 1.86 per cent to 42,547, and not by 18.6 per cent as stated in a table on Wednesday, and the number taking sociology rose by 0.9 per cent to 30,139. The number of students taking German dropped 1.5 per cent to 10,561.

MANAGEMENT

Life after the salesman dies

Managing the sales function needs to be overhauled, reports **Richard Donkin**

Willy Loman never made a lot of money. His name was never in the paper. He's not the finest character that ever lived. But he's a human being, and a terrible thing is happening to him. So attention must be paid.

The problem, according to a new report on UK sales departments, is that too little attention has been paid to sales forces in many companies over the past few years. The result is that Arthur Miller's *Death of a Salesman* could become a self-fulfilling prophecy among many staff weaned on the hard sell.

If, to quote Miller further, the salesman "is not to be allowed to fall into his grave like an old dog", companies will need to overhaul the way the sales function is managed, says the report* by CPM International, an outsourcing sales company, and Abberton Associates, sales and customer management consultants.

The financial need for reform is illustrated in the report which calculates that UK sales operations employ about 470,000 people and cost British companies more than £19bn a year – more than double the total expenditure on advertising. The average sales person costs a company £49,400 a year. Something like £28,000 of this covers management, support, systems travel and expenses.

When the research looked at how sales people divided their working hours, it found that more than a third of their time – 35 per cent – was spent travelling, a fifth on administration and 14 per cent on meetings. Just 6 per cent of their time was actually spent selling.

Furthermore, many companies did not differentiate between levels of responsibility required to deal with big customers and small customers. Such poor organisation of sales, says the report, makes little financial sense and sales people are often falling down, as a result, in meeting customer requirements.

There are signs, however, that the prospects for sales people are improving as some large companies are beginning to invest their sales forces with increasing strategic responsibilities.

Getting the best of the supplier-customer relationship has led some sectors to develop the role of sales management at higher levels. Simon Croom, a lecturer in operations management at Warwick Business School, who is carrying out an international study of the role of sales in business, points to the way that some large US companies such as PepsiCo, Marriott, International Business Machines and Procter & Gamble are making their top sales managers personally responsible for servicing the most important accounts.

These key account managers, says Croom, are experienced and well-trained sales professionals who build up a more sophisticated relationship with big customers who may be responsible for the lion's share of the suppliers' business. "We are seeing some of these larger companies moving towards longer term relationships. This is being driven, partly by the purchasers," says Croom.

He argues that, in the fast-moving consumer goods sector at least, the sales professional can no longer be regarded as a poor relation of the marketing executive. "After all, who but the sales staff have the valuable intimate knowledge of the customer?"

Lisa Napolitano, executive director of the Chicago-based National Account Management Association, points to Tom Muccio, vice-president customer business development for Procter & Gamble as one of the top key account managers in the US.

Muccio runs a team of about 80 people responsible for servicing Procter & Gamble's $3bn (£2bn) a year's worth of business with Wal-mart, the superstore chain.

'Who but the sales staff have the valuable intimate knowledge of the customer?'

"This operation is bigger than most companies. People like Muccio are not selling. They are managing a relationship," she says.

"These people, in effect, become the gatekeepers to these accounts," says Frank Cespedes, managing partner of The Centre for Executive Development in Cambridge, Massachusetts. He points to several other factors driving change, including the "80-20 rule" that suggests that for many suppliers 80 per cent of their business is shared among 20 per cent of the their customers. The accounts of these important customers, he argues, need a higher level of servicing than smaller accounts.

Another factor, he says, is that greater co-operation between supplier and factory or factory and retailer can improve the flow of information about customer demands or buying trends down the supply chain. Cespedes cites Marks and Spencer, the retailer, which, he says, has become particularly adept at supply chain management.

Charles Wilson, a director of Abberton Associates and author of *Profitable Customers***, a book which studies the sales role, says that these closer relationships have created a need for people with a broader range of skills than those of conventional sales people.

Some companies have turned their customer-supplier relationship into a much more collaborative arrangement than would once have prevailed. Bose, the US-based hi-fi manufacturer, for example, has employees of its suppliers working in its offices. These people which it calls "implants" work closely with Bose engineering staff to improve production efficiency and give the supplier a better idea of its customer's requirements. It also means that Bose no longer needs a buying department since orders are channelled through the implants.

Wilson says that technological advances have also created new opportunities where companies are seeking to retrieve, sometimes through technology, the sort of relationship between business and customer that existed in the pre-industrial era. In those days, for example, a village blacksmith would deal directly with his customers producing items that met their specific requirements.

Industrialisation led manufacturers to concentrate on the production process allowing a fragmentation of the sales function. But advances in technology, says Wilson, particularly the improvement of computerised telephone and account systems has led to the emergence of call centres which have supplanted some traditional sales forces.

Charles Schwab in the US, used the telephone to offer a discount brokerage service. Direct Line in the UK dispensed with the need for door-to-door agents, used by its competitors by providing a direct telephone service. First Direct translated these methods into banking which allowed direct telephone communications with the customer without the need for a branch network.

Some have argued that call centres have mechanised aspects of selling – a recent report by Incomes Data Services, a pay consultant, refered to what it called the industrialisation or "Taylorisation" of white collar work.

But the way that these centres have cut overheads has forced other companies to look more closely at their sales operations. Some companies have responded by concentrating on their relationships with suppliers or have rid themselves of traditional sales outlets. Dell, the computer manufacturer, sells its computers direct to customers. In so doing, says Wilson, it has picked up the more sophisticated computer users who are less reliant on service support.

Many companies, however, remain slow to respond to new forms of competition in selling, according to Eddie Phillips, managing director of CPM. "As I drive up the M1 and M6 I still see lots of Mondeos bashing past. The only difference from the days when it was a Cortina in many businesses is the newer model of car. A lot of people have not cottoned on to the fact that there is a better way of managing your sales."

Phillips' company provides teams of sales reps – he calls his people "customer impact specialists" – which allow companies to outsource the function of servicing smaller clients or gives them the flexibility to hire bigger teams, when it might be necessary to promote a new product. This, he says, allows his customers to concentrate on developing smaller but higher grade teams of sales executives to deal with the big accounts.

So what hope for the Willy Lomans of this world? Will they continue, as Miller put it, to ride on a "smile and a shoe shine"?

"What we are seeing is the death of the salesman," says Phillips. "But it's the birth of the business manager and the customer impact specialist."

**Balancing the Selling Equation: revisited, unlocking extra profits from the sales operation. Available free of charge from CPM International, Aylesbury Road, Thame, Oxon OX9 3PG.*

***Profitable Customers, How to Identify Develop and Retain Them, by Charles Wilson is published by Kogan Page, price £19.95.*

Ammunition for fighting the fad

The swiftness with which management techniques are adopted then discarded is alarming to many executives, and with good reason, according to a study presented earlier this week in Boston.

Eric Abrahamson and Gregory Fairchild of Columbia University have been able to throw light on what might be called the life cycle of the fad in a study which monitored the rise and fall of the management concept known as "quality circles".

Their research suggests, they say, that companies often embrace new theories without properly assessing their value or implications.

Quality circles are small groups of employees that meet regularly without managerial supervision to discuss ways to enhance operational efficiency and product quality. The management technique originated in Japan, then spread to corporate America in the early 1980s.

The researchers used a computer program to categorise 1,300 articles written about "quality circles" from 1977 to 1995 as "emotional, rational, positive or negative".

They found that what was written about quality circles during its surge in popularity in 1981 and 1982 was "unreasoned, emotional and unqualifiedly positive".

The enthusiasm proved short-lived, however. From 1982 to 1984, editorial comment became mostly negative.

Thoughtful content in the articles was most consistently high from 1987 to 1993. By that time, though, most groups that had adopted quality circles in the 1980s had abandoned the technique, and, although the academic press continued the debate, popular business publications lost interest.

Abrahamson and Fairchild found just 10 articles were published on the subject in 1993 compared with 122 11 years earlier.

"What makes this finding especially sobering," says Abrahamson, "is that a similar process might very well occur with fashions that have a much more profound effect than quality circles did – for example downsizing."

The authors of the study speculate that caution is most likely to be thrown to the wind if the technique seems to answer companies' most overriding concerns at a particular moment. Quality circles, for example, appeared to present a magical solution to corporations frightened by mounting competition from the Japanese in the early 1980s, particularly in the car manufacturing industry.

Abrahamson and Fairchild chose to study quality circles because they were able to examine the entire history of its popularity and rejection and it was also sufficiently recent so that many of the articles written on the technique were available on an electronic database.

The study calls on managers to refrain from planning strategy according to current "superstitions", and to be less willing to abandon current management practices in favour of the latest fad.

Victoria Griffith

Edinburgh

Dance from the West

Clement Crisp on Twyla Tharp's new works

Plus ça change, plus c'est le même at the Edinburgh Festival, with its trudging hordes of merry-makers on Princes Street, and its day-mist giving way to penetrating evening drizzle. And, for dance-lovers, the gloomy barrack of The Playhouse, that fun-factory designed by the Ceausescus.

The Playhouse is host to the first dance event of the festival. *Tharp!* says the poster – avec exclamation mark – as one might say *Duck!* or *Welcome!*. The latter is the proper response, albeit the former is my advice for some of the later dance items, and Monday night's performance revealed three recent (late 1996) works by Twyla Tharp for her new (5f; 8m) and accomplished troupe.

The evening is, in an odd way, a retrospective: *not of Tharp's work* but of her American identity. One piece, *Sweet Fields*, looks at the simple religious faith of early settlers, observed through the hymns of the Boston-born William Billings (1746-1800) and traditional Shaker songs. ("Shake, shake out of me/All that is carnal,/I'll take nimble steps...." and Tharp's dancers do just that.) *66* is about the great Route 66 that ran from Chicago to the Pacific at Santa Monica, leading many Americans (including Tharp's family) westward to new hopes and new horizons.

Heroes, the first work on the bill, is harder to categorise. It proposes heroic attitudes, some mythic, some looking rather more like sci-fi, and even glances at feminism, when a woman flings herself, unavailing but determined, against a wall of male resistance. (I do not think this auto-biography: Twyla Tharp is braver, more combative and more successful than most male choreographers. Tough is as tough does, and Tharp's grand achievements are there to prove it.)

The dance is fierce, bold, hinting also at the uncertainties and defeats that are central to heroism and the desire and need to achieve. The score is by Philip Glass, the Minkus of minimalism, and is very loud and perfectly tiresome. The dancers work like demons.

Their better reward is the succeeding *Sweet Fields* in which Tharp's vision of a white-clad community, held by an innocent Godliness, ardent in spiritual feeling, is beautifully caught in dance that is both airy and serious. (Most serious is a funeral procession for six men, where each in turn becomes the corpse. *Timor mortis*....) The hymns proclaim a direct and unwavering belief. Tharp (from a Quaker background) knows in her heart how to show this and, touchingly, does so in lively, sincere dance. The piece is a delight.

66, closing the evening, is a romp on a serious theme. The choreography feeds, as Tharp has often done, on social dance and the manners of the 1930s and '40s, with a junk-music accompaniment. ("Bachelor pad music" says the programme).

A pair of lovers – the splendid Andrew Robinson and Julie Stahl – disagree and agree (what else is new in dance?), and the virtuoso Shawn Mahoney is an old man embarked on the long road West. He gets his chance in a merry solo. Part cartoon, part parade of bright steps, *66* is a soufflé, but cooked by a master chef.

The three works may have subliminal links, and they share certain leit-motifs of movement – walking backwards is one, and it suggests Tharp's own backward look at an American past – but the only obvious common ground is their creator's skill, and the excellence of the dancing. They make a fine evening in a visit sponsored by Scottish Power.

As my seasonal note about festival programme books, I report that the Playhouse programme for *Tharp!* is dreary in aspect, not immune from mistakes, and a rotten buy at £2. It is about time the festival decided on theatre programmes worthy of the shows they cover. And why not, given advertising revenue, make them free? To hell with the extra bawbees: let us have something worthy to remember the evening by.

Romp on a serious theme: Shawn Mahoney as the old man in '66', about the great American highway

The Edinburgh Festival

Short stories about India

The theatre in Scottish Television's Gateway building in Edinburgh has become a festival venue this year, beginning with Tamasha Theatre Company's production *A Tainted Dawn*.

Following the company's success with Ayub Khan-Din's *East Is East*, director Kristine Landon-Smith, co-writer Sudha Bhuchar and the company have fashioned what is less a celebration of Indian independence for its 50th anniversary than a meditation upon the human tragedies caused by the partition which followed it.

Drawing on a clutch of short stories by various writers as well as on company improvisations, Landon-Smith has assembled a dramatic mosaic.

Some scenes – the simmering communal prejudice in a crowded train compartment, the grim comedy of a couple of Parsee corpse-bearers facing a vulture shortage because the birds have abandoned the funeral grounds to pick over the victims of rioting – stand alone, others form episodic narratives.

With only eight actors, they nevertheless manage to convey at least a microcosm of the terrible scale of human displacement as even the supposedly enlightened middle classes came to abandon hope in the ideals of secularism.

The violence of "the troubles" is present almost entirely through suggestion: what we see are the effects in terms of sundered families, individuals migrating to Hindu-Sikh India or Moslem Pakistan, sometimes as an act of affirmation but more often out of compulsion or despair, pilgrimages made years afterwards to former homes only for those returning to find towns unrecognisable and houses reduced to rubble.

The most poignant of the plotlines is based upon Bhisham Sahni's *Pali*, in which a Hindu boy separated from his parents in flight is adopted by a Moslem couple; although prejudice and bigotry are outweighed by a concern for blood ties when the boy is tracked down after seven years, even this is not a happy ending, as the Hindu community in which his

'A Tainted Dawn' is a meditation upon the human tragedies caused by partition

natural parents live refuse to accommodate his reassimilation.

The diffuseness which is often a hallmark of devised work leads to no weakness here: it is plainly impossible to portray the experience in a single linear story. Members of the ensemble subsume themselves in the process of painting the fabric with a host of characters.

In the end we sense not only the privations of partition, but the determination of individuals to carve out lives for themselves; the taint of what has gone before may darken the dawn, but cannot wholly obscure it.

Ian Shuttleworth

Gateway Theatre, Edinburgh, until August 18; Edinburgh International Festival box office 0131 473 2000.

Bournemouth widens its horizons

Richard Fairman finds the orchestra making waves in Amsterdam

The Dutch make a very appreciative audience. Standing ovations are an everyday occurrence in Amsterdam, which must come as a pleasant surprise to visiting musicians from abroad.

No sooner had the Bournemouth Symphony Orchestra played the last note of Rachmaninov's Second Symphony at the Concertgebouw last week than the audience was on its feet. The good news was that it had actually been an exciting performance. Under Yakov Kreizberg, appointed principal conductor two years ago, the Bournemouth Symphony knows that it has started to play above itself, and now it wants the rest of the world to know.

Last year it undertook a successful East Coast concert tour of the US. This year its return visit for two concerts in Amsterdam continued the business of building on its much-improved reputation under Kreizberg's predecessor, the American Andrew Litton. Ironically, one of the problems the orchestra is now facing is the need to improve its public relations in the UK.

The orchestra's management is adamant that they are happy in their patch of south-west England. Although there seems to be a good chance that Bristol will get its lottery cash for a new concert-hall, the issue of the Bournemouth Symphony moving there and changing its name was settled once and for all back in the 1980s. Besides, the orchestra has its own application pending for money from the Arts Council's stabilisation fund.

Orchestras in the UK live and work in an *Alice-through-the-Looking-Glass* world. They have to run as fast as they can to stay in the same place. The BSO feels miffed that its idea for lottery money to upgrade its instruments was given the thumbs down, even though brass bands around the country are sporting new trumpets and trombones. Renewing the repertoire with new music is still a gamble, although the 1997/8 season has its token share.

This is where Kreizberg's leadership is so important. In his conducting of the Bournemouth musicians, I hear the same grip on every detail of colour, rhythm and phrasing that has taken other successful orchestra-and-conductor teams, like Oslo Philharmonic under Jansons and the City of Birmingham Symphony under Rattle, out of the provincial circuit and on to the international stage. If that is right, it will be crucial for the BSO to hang on to him.

Last week's Amsterdam visit came directly after the annual Bournemouth Symphony Prom in London, at which the orchestra won plaudits for playing some rare Markevitch (a recent Kreizberg enthusiasm). The first of the two concerts at the Concertgebouw repeated that programme. The second paired Elgar's Cello Concerto with the Rachmaninov. It did not start especially well since the advertised soloist for the Elgar cancelled late in the day and her replacement, the young Dutch cellist Quirine Viersen, played with an attractive lyrical style but was not always in tune.

Kreizberg's Elgar was "interesting" – not idiomatic by a long chalk, but always put across as if he believed in what he was doing. By contrast, in the Rachmaninov that trait was turned into a blazing strength. Kreizberg takes each phrase at a time, holds it in an arm-lock that does not let his players wriggle a centimetre from the way he wants it played, and then moves on to the next.

The sheer precision and control of the performance was electric, but Kreizberg's real strength is in never letting the showpiece side of his conducting become an end in itself. Heard in the spacious acoustic of the Concertgebouw, the BSO's natural richness of sound was almost too much, with the resonant brass swamping the strings when the volume rose, but even that did not detract from a first-rate Rachmaninov Second that had passion, temperament and brilliance. Maybe the standing ovation was not just the usual Dutch politeness after all.

The Proms

All the fun of the Feria

Two brand-new works at the Proms this week: Stephen Montague's *Piano Concerto* on Tuesday, a BBC commission, and Magnus Lindberg's *Feria*, which began Monday's concert by the Finnish Radio Symphony under Jukka-Pekka Saraste.

The piece is dedicated to Saraste, a close Lindberg associate. Since the Finns were visiting London anyway, it was a good moment to introduce Lindberg's latest work; just now he is Finland's liveliest musical export – and only partly ex-pat, despite his long connection abroad with Boulez's IRCAM.

Lindberg turns 40 next year, and has been steadily prolific since his early 20s. His expansive, exhilarating Aldeburgh piece two years back, *Aura*, and then his recent crypto-Ravellian Piano Concerto – played all round Europe, but here only in a Radio 3 broadcast – have sealed his reputation as a mature young modernist: always cogently inventive, never arcane.

His ears have assimilated a lot of jazz and heavy rock. Though his compositorial computations may be intricate, his sound-palette makes an immediate, user-friendly impact on younger-generation listeners. At first hearing, *Feria* – Spanish "fair", in the "carnival" sense – had the effect of an unusually grand fanfare-piece. The brilliant sections that begin and end it, with piercing trumpet flights over bright minimalist figurations, sounded festive as could be, and faintly Iberian too.

On the other hand: when the music wound down in the middle to a cogitative pace, Lindberg's harmonies (computer-generated, but selected and adjusted by the composer) conveyed not only a dense glow and *Affekt*, but in due course the plangent, grieving progressions of Monteverdi's "Lamento d'Arianna", too. Those stayed in the mind, and coloured everything that we were still to hear. We needed to hear the whole work again, two or three times, to discover just what that far-reaching impact may mean.

Montague's Piano Concerto didn't invite searching inquiry. This American composer (b. 1943, resident here since 1974) was first known as a keen Minimalist exponent, but has leant more lately pop-wards. His concerto is a friendly sort of piece: generally tonal, tuneful, and generous to the soloist – here Rolf Hind – with splashy visual effects, like whole-forearm attacks, and well-tried aural ones, like streams of chords hammered out by alternate hands.

Not difficult, actually; nor could Montague's actual composing have cost him any great effort. The musical impulse of this concerto is late-Romantic (or 60s' pop: as you like), and the musical processes very simple. All that the "minimalist" fillings and the pianist's hyper-visible exertions could do was to lend up-to-date airs to a "new" piece which is already a piece of nostalgia. Hind, and the Orchestra of St. John's, Smith Square under John Lubbock, made it seem quite appealing.

It is interesting that a large portion of Magnus Lindberg's *oeuvre* to date will be heard at Strasbourg's *Musica* festival (September/October; Tel: 0033 3 88 21 0202). For no composer so young has had such a compendious "retrospective". That is a measure of the serious interest he provokes; but he is a lot of fun, too.

David Murray

INTERNATIONAL ARTS GUIDE

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1236
Sigmar Polke: subtitled "The Three Lies of Painting" this show aims to be the largest ever held in the country's biggest exhibition halls. Including some 180 loans, it will document Polke's work from 1962 to the present, and will transfer to Berlin's Hamburg station; to Oct 12

■ DROTTNINGHOLM

OPERA
Drottningholms Slottsteater
Tel: 46-8-4570600
Orfeo: Swedish premiere of Luigi Rossi's 1647 version of the legend of Orpheus. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette, the designer Robin Linklater and the choreographer Lucy Graham. With the Drottningholm Theatre Ballet and Orchestra; Aug 16

■ EDINBURGH

DANCE
Edinburgh International Festival
Tel: 44-131-473 2000
Végétal: Ballet Atlantique Régine Chopinot. Collaboration between choreographer Chopinot and artist Andy Goldsworthy to music by Knud Viktor, in a tribute to movement and the natural world; at the Edinburgh Playhouse; Aug 15, 16

OPERA
Macbeth: by Giuseppe Verdi (original 1847 version). Concert performance given by the Chorus and Orchestra of the Royal Opera House, conducted by Edward Downes; at the Edinburgh Festival Theatre; Aug 15, 16

THEATRE
Measure for Measure: by Shakespeare. Directed by Stéphane Braunschweig. Unlike The Winter's Tale, which was Braunschweig's French language contribution to the 1994 Festival, this production, staged by the Nottingham Playhouse, is in English; at the Royal Lyceum Theatre; to Aug 26

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● Norwegian Chamber Orchestra: a two-day celebration of Britten's choral works begins with this performance of his Serenade for Tenor, Horn and Strings, with tenor Ian Bostridge and horn player Timothy Brown. Programme includes symphonies by Schubert and Mendelssohn and Wagner's Siegfried Idyll. Conducted by Iona Brown; Aug 16
● Britten Weekend: The Prodigal Son. Performed by the City of Birmingham Touring Opera in a production directed by Mark Tinkler and set in the 1930s. With the Birmingham Contemporary Music Group and musical director Simon Halsey; Aug 16
● Britten Weekend: Martin Neary conducts the Westminster Abbey Choir in a selection of works punctuated by a piece for solo oboe performed by Nicholas Daniel; Aug 17
● Britten Weekend: War Requiem. Performed by the BBC Symphony Orchestra and Chorus with the Choristers of Westminster Abbey and the City of Birmingham Symphony Chorus. Conducted by Andrew Davis; Aug 17
● Budapest Festival Orchestra: conducted by Iván Fischer in works by Bartók and Brahms, with pianist András Schiff; Aug 15
● Stephen Cleobury: conducts the BBC Singers and Brandenburg Consort in a programme of choral works by Purcell, Fayrfax, Byrd, Sheppard and Handel; Aug 15

■ LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-210 3080
● András Schiff: recital of Schubert piano sonatas; at the Union; Aug 17, 19
● Gustav Mahler Jugendorchester: conducted by Pierre Boulez in works by Ravel, Bartók, Boulez and Stravinsky; at the von Moos-Stahl-Halle; Aug 16

■ PESARO

Rossini Opera Festival
Tel: 39-721-33184
CONCERTS
Rossini's Petite Messe Solennelle: performed by soprano Carmela Remigio, contralto Mariana Pentcheva, tenor Juan Diego Florez and bass Michele Pertusi. With pianists Arnold Bosman and Rosetta Cucchi, and Federica Iannella on harmonium; at the Teatro Rossini; Aug 19

OPERA
● Il Barbiere di Siviglia: in a staging by Luigi Squarzina. With the Ort-Orchestra of Tuscany, conducted by Yves Abel; at the Teatro Rossini; Aug 16, 20
● Moïse et Pharaon: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera – created as Moses in Egypt in 1818 – is staged by Graham Vick. With the Orchestra of the Teatro Comunale di Bologna, conducted by Vladimir Jurowski; at the Palafestival; Aug 17

■ SALZBURG

Salzburg Festival
Tel: 43-662-844501
OPERA
● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitscule; Aug 16, 18, 20
● Lucio Silla: by Mozart. Conducted by Sylvain Cambreling and directed by Peter Mussbach with designs by Robert Longo. Cast includes David Kuebler and Susan Graham. With the Camerata Academica Salzburg and the Konzertvereinigung Wiener Staatsopernchor; at the Kleines Festspielhaus; Aug 15
● Wozzeck: by Berg. Conducted by Claudio Abbado in a new production directed by Peter Stein, with sets by Stefan Mayer. Bryn Terfel sings the title role. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Grosses Festspielhaus; Aug 15, 19

THEATRE
Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögerbauer. With music by Wenzel Müller; at the Landestheater; Aug 15, 20

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Così Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Aug 15, 20
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Christopher Larkin conducts; Aug 16, 19

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Boston Symphony Orchestra: conducted by Kent Nagano in works by Debussy, Tchaikovsky and Stravinsky. With violin soloist Cha-Liang Lin; the Shed; Aug 15
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Personal View • **Miko Giedroyc**

Tail that wags the dog

US and European markets have been driven by the increase in cash flow

If you are a dog, how much you wag your tail is determined by the amount of dogfood in your evening bowl. If you are the owner of a business, how rich you feel is determined by the amount of cash going into your bank account (rather than by your accountant's version of profit).

And if you are a stock market? My feeling is that they too have Pavlovian reactions. And the stimulus they respond to most is companies' cash flow (as opposed to more conventional things such as, say, earnings per share). d

In western stock markets, cash flow has rocketed. My preferred measure here is "free cash flow". This is – excuse the technical definition – sales minus cash operating expenses (adjusted for working capital inflation) minus tax (with tax shield) and minus net investment (in both fixed and working capital).

The graph shows what has happened to free cash flow in the US. My calculations, based on Standard and Poor's figures, suggest that in the early 1990s the cash flow of quoted US industrial companies was actually negative. Since turning positive in 1986, free cash flow has gone through the roof, more than tripling since the previous boom in 1989-90.

It is a similar story in Europe, including the UK. According to Deutsche Morgan Grenfell's figures, the free cash flow of European industrial companies today is also about three times higher over the same period. Meanwhile, the share prices of US industrial companies have more than tripled and those of European and British industrials have nearly tripled.

But their earnings per share have not. Since 1989 they have grown less than twofold in both Europe and the US. Conventional wisdom would explain the outperformance of earnings per share by share prices by pointing to the fall in nominal rates of interest. The idea is that a certain level of earnings can be more highly valued if rates of interest are lower.

My problem with this explanation is that real interest rates should drive equities more than nominal rates, and real rates have not fallen much since 1989. The nominal interest rate explanation implies that the stock market suffers from "money illusion", and our work at Deutsche Morgan Grenfell has given me profound respect for the market's ability to look through the nominal to the real.

The dogfood theory that stock prices follow cash flow is also consistent with the behaviour of share prices in east Asia. Japanese stocks have underperformed world stock indices since the late 1980s. Most of the rest of south-east Asia has also underperformed world markets since 1992-93.

East Asian economies are notable for their enormous capital spending. Almost every basic manufacturing industry – steel, petrochemicals and paper in particular – has a "far eastern capacity problem". Hence, free cash flow in the region is poor.

If the dogfood theory is right, the trillion dollar questions for equities are: Why has cash flow exploded in the west? And can we expect it to continue to grow?

The same analysis used above suggests that falling net investment, in both fixed and working capital, is the over-riding explanation of rising free cash flow in the US, the UK and the rest of Europe. Wage restraint and increases in productivity have helped gross cash flow (that is, sales minus cash operating expenses). But, surprisingly, it has not increased much above its long-term trend. In the US, for example, we estimate that gross cash flow per share will have grown in real terms by less than 3 per cent per year in 1989-97, and by less still in Europe.

Over the same period, capital spending has fallen to new lows relative both to sales and to gross cash flow on both sides of the Atlantic. And working capital has been squeezed in a way that is almost miraculous. Quoted European industrial companies, for example, seem to have reduced their real working capital by more than 10 per cent in absolute *terms in 1989-97.*

The most plausible explanation for this stinginess in western boardrooms is the return of the profit motive, or, to give it its more polite contemporary name, the consciousness of shareholder value. Companies are raising their returns on investment by cutting investment.

Two manifestations of this are common. First, companies are using technology and doing deals with other companies to achieve enormous increases in production from existing capacity. In one example in the paper industry, production is being raised by almost 50 per cent from existing facilities, even though the workforce will remain steady, and even though capital expenditure is only a fraction of the normal rate on greenfield or brownfield sites.

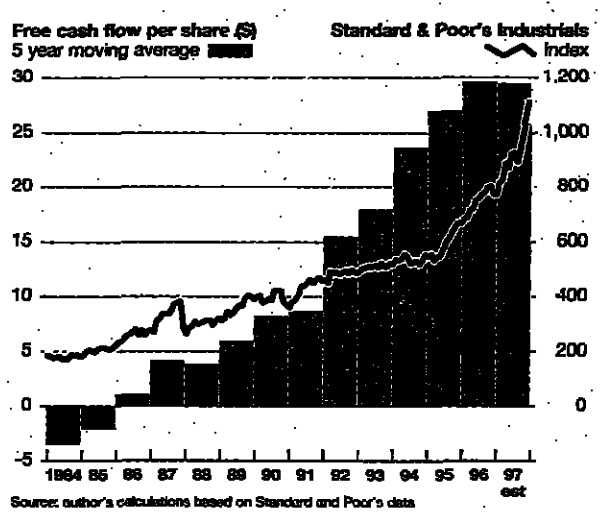
Second, western companies are proving reluctant to chase increasing demand in the Far East by joining in the capital-expenditure binge in the region, unless they have clear competitive advantages there.

The implications of the link between cash flow and share prices are profound. If net investment in fixed and working capital is driven even lower, then higher cash flow could continue to exert its upward pressure on share prices. That is, of course, possible, if companies strive for ever greater capital efficiency and if they continue to respond to the requirement of shareholder value.

But if companies return to their old ways, increasing their spending on fixed and working capital, then the bull market could falter. As the graph shows, there is some evidence that the growth of free cash flow is slowing down in America, although the volatility of working-capital investment can obscure the longer-term trend. In Europe, there is as yet no sign of a deceleration of free cash flow. In these circumstances, the bull market might be safe for now. But it would be a brave person who believes that cash flow will continue to rise.

Miko Giedroyc is head of European equity research at Deutsche Morgan Grenfell

Cash flow drives share prices



Source: author's calculations based on Standard and Poor's data

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Politics of antitrust enforcement

From Ms Teresa Wyszomierski.

Sir, Daniel Tarullo's noble call ("Wrong lesson from Boeing", August 13) for the apolitical application of international antitrust law for the benefit of consumers is at odds with a recent enforcement action taken by the Clinton Justice Department.

In a landmark decision last March, the First US Circuit Court of Appeals criminally convicted Tokyo-based Nipon Paper Industries (NPI) for fixing the price of fax paper sold in the US, despite the fact that NPI controlled a mere 6 per cent of the North American market.

The purported economic rationale underlying the decision – that US consumers were injured by the actions of such a small supplier – painfully points to a purely political motive for this prosecution. The indictments came just months after Washington issued tough new antitrust enforcement guidelines. Furthermore, it was hardly surprising that the first target selected was Japanese, given the US's chronically large trade deficit with that country.

Thus, the politically-charged nature of the recent debate over the Boeing-McDonnell merger is not as atypical as Mr Tarullo maintains. On the contrary, it would seem that international antitrust enforcement is becoming the preferred weapon of protectionist-minded politicians.

**Teresa Wyszomierski,
61-37 56th Avenue,
Maspeth,
New York 11378, US**

Oil exploration raises a legitimate issue for Greenpeace to address

From Mr Chris Hewett.

Sir, In accusing Greenpeace of being "intellectually risible" for campaigning against oil exploration ("Greenwars", August 12), your editorial comment was uncharacteristically subjective. First, climate change is now an accepted fact by all but a handful of scientists.

The insurance industry is now among those calling for urgent action to cut CO_2 emissions. It may not have the emotional resonance of saving the whale, but many would argue it is a far more important issue for an international environment organisation to concern itself with.

Second, your dismissal of renewable energy sources as "expensive", "ugly and annoying" fails to acknowledge the vast technological capabilities of the energy industry. One could argue that deep sea oil exploration itself was prohibitively expensive not many years ago. The costs of wind and solar energy have been falling at similarly rapid rates, as improvements have been made in design and siting.

Of course measures to curb energy demand from governments are the correct way to address climate change. However, when governments fail to deliver, as they have so far on climate change, pressure groups sometimes take matters into their own hands. You are right to question the tactics and the target of Greenpeace's latest campaign, but the issue is most certainly a legitimate one.

**Chris Hewett,
research fellow,
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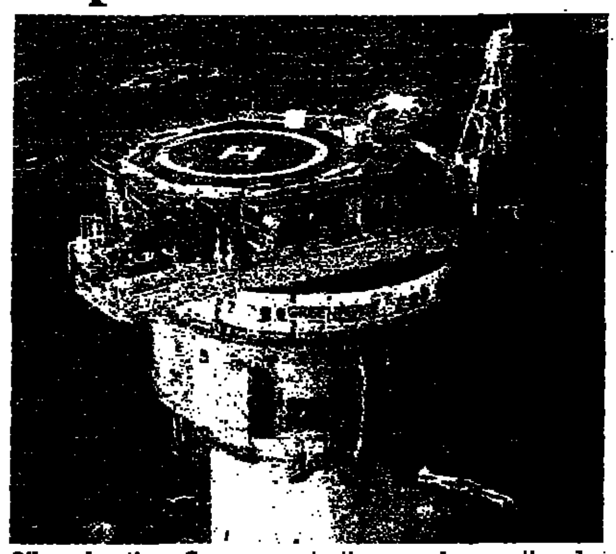

Oil exploration: Greenpeace tactics may be questioned – Royal Dutch/Shell's Brent Spar platform (above) was a target two years ago – but issues are legitimate *AP/Greenpeace*

From Professor David R. Cope.

Sir, Your leader "Greenwars", regarding the actions of Greenpeace in the North Atlantic did not recognise the full dimensions of the organisation's position. You state that Greenpeace displays "the feeblest grasp of proportion" regarding the potential for widespread use of renewable energy but, to its credit, it has also assiduously promoted energy *conservation* as a strategy, (which you call for in your leader).

Although such strategies are not favoured by the more "fundamentalist" tendencies within the pressure group, Greenpeace has recently teamed up with various companies to promote energy-efficient technologies.

What, however, is most curious about Greenpeace's current actions is why it is targeting the international *oil* industry. It claims its primary motivation is potential global warming from carbon dioxide emissions. Yet for each unit of energy produced, the burning of coal results in about 30 per cent more emissions of carbon dioxide than the burning of petroleum.

Furthermore, if compared with natural gas, the production of which is also a major activity of most of the international petroleum companies, coal burning releases about 80 per cent more carbon dioxide.

Perhaps it is the opportunity for media coverage, rather than environmental rationality, which determines Greenpeace's choice of targets.

**David R. Cope,
UK Centre for Economic and Environmental Development,
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From Mr T.J. Evans.

Sir, Chris Rose of Greenpeace UK points out (Letters, August 13) that the world's atmosphere cannot sustain the burn of more than a small percentage of known fossil fuel reserves. Indeed, it is now widely acknowledged that a shift to solar and other renewable forms of energy will be a feature of the first quarter of the next century.

For the short term, however, there will be no realistic alternative to fossil fuels. It will be important to use those sources of such fuels which are both economic to produce and environmentally safe and it seems to me there is considerable merit in exploiting those resources which are well away from centres of population. It is also strategically important to this country to have reserves under its own control.

Furthermore, the deepwater hydrocarbon resource which BP seeks to exploit is a valuable feedstock for the world's petrochemical industry. The range of products which are created from a single barrel of oil represent a diverse and valuable resource for the community. Chris Rose's view is blinkered to the extent that he sees only a traditional exploitation for these reserves rather than allowing for the ingenuity of engineers and scientists to make more effective use of the reserve.

Within the chemical engineering community, 18 leaders of the world's leading scientific societies, including Keith Taylor, president of the IChemE (and chairman and chief executive of Esso UK), committed to the London Communiqué in April this year. Our profession signed up to use our skills to improve the quality of life: foster employment, advance economic and social development, and protect the environment. This challenge encompasses the essence of sustainable development. We will work to make the world a better place for future generations.

**T.J. Evans,
chief executive and secretary,
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Too narrow a view of Hampel

From Mr John Harper.

Sir, John Kay ("Question of duty", August 8) is reading too much into the preliminary Hampel Report when he concludes that it implies companies have no responsibility to parties other than shareholders. It must be taken as read that the plethora of laws and regulations which prescribe what boards and companies should do hold them to account.

As an example, directors can be fined or sent to prison if their companies contravene health and safety legislation, causing a fatality. Most companies carry out their responsibilities to their "stakeholders" well beyond what their duties require; the voluntary provision of pensions to employees being just one example.

The Institute of Directors' *Standards for the Boards* states that "the key purpose of the board is to ensure the company's prosperity, by collectively directing its affairs and meeting the legitimate interests of its shareholders and other interested parties". The latter are listed as employees, customers, suppliers, lenders, government, regulators and so on.

The companies acts, as they are currently drafted, recognise that the board of directors is held responsible for the well-being of the company on behalf of the shareholders, in a position of trust. They state that the board's first duty is to the company. It seems entirely reasonable that the Hampel Committee should reflect these facts.

**John Harper,
professional development director,
Institute of Directors,
116 Pall Mall,
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From Mr John Brewer.

Sir, In reporting criticism that the role of certain directors has not been properly defined by Hampel ("Governance report under attack", August 11) it is ironic that you refer to company secretaries as "responsible for corporate governance at public companies".

We are not. Cadbury was correct in saying responsibility for governance belongs to the board, which in turn has access to the advice of the company secretary.

**John Brewer,
Ventris Place,
Ventris Road,
Hong Kong**

Health warning SE could have issued

From Mr Stephen J. S. Hart.

Sir, Eurotunnel shareholders ("Tunnel swallows investors' hopes", August 9/10) have many grievances, but why is no finger pointed at the role of the London Stock Exchange in the story?

That a company's performance may suffer from poor management is a risk every investor accepts when he becomes a shareholder. That this piece of massive infrastructural engineering was a private sector project was as plain as a pikestaff, at least in the UK (in France the government had a more ambivalent attitude towards state investment).

Margaret Thatcher, the then UK prime minister, made her views well known; they were fully consistent with her loudly-expressed general opinions, and indeed she would not have obtained political agreement for the Channel tunnel otherwise.

But what was the stock exchange doing, admitting to listing a totally new company without any trading history, and with next to no prospects of having any income for the foreseeable future? Normally, a company seeking a quotation must have a profits record covering a considerable period, and yet on this occasion the exchange listed a wildly speculative business.

If ever an investment needed a health warning it was the Channel tunnel, which might never have produced a penny or centime of income. Ordinary investors are routinely protected from far less risky investments, and they should be able to rely on the stock exchange to regulate itself by declining to admit such total speculation.

**Stephen J. S. Hart,
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Tongue tied, by jingo

From Mr Marco Giovanelli.

Sir, Your editorial "Language Law" (August 13) partakes of the sort of cultural jingoism one only too often witnesses in international circles.

Rightly, you condemn the "state of perfect confusion" in which German attempts to simplify the rules governing the national language have ended up. Equally reasonably, you advocate "clarity" and "precision" as among a language's most desirable qualities. Yet your criticism would perhaps have been more relevantly applied to the intricacies of German constitutional law, rather that to the German language itself.

After all, no one needs reminding that those "interminable sentences" that intimidate non-native speakers so much are the ones through which many original thinkers helped shape the identity of the western world.

**Marco Giovanelli,
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UK**

It's more loos we want, not 'upgraded' ones

From Mr Brian S. Walling.

Sir, I was appalled, as a frequent air traveller, to read that some airlines are considering upgrading their loos ("Getting to the seat of the problem", August 9/10). Don't they know that the biggest single complaint about loos is that there simply aren't enough? Please, we want to have more loos, not to encourage passengers to stay in the present loos longer! Eight, 10 and 12-hour flights are common these days; 200 economy passengers trying to use just four loos (in business class typically still about 35 per loo) on a long flight is pure misery, as well as unhygienic.

There seems to be a conspiracy not to compete in this area. My vote will certainly go to the airline that breaks ranks and increases the number of loos, instead of wasting millions on uncalled-for in-flight telephones, complex multi-channel seat-back video screens and the like. Instead of all the league tables that show the minute differences in leg room, how about starting a table that shows which airline is most generous with loos per passenger?

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Friday August 15 1997

Jospin's fiscal headache

The flurry of speculation during the preparation of the 1998 budget in France is not just a result of the strict silence observed by the cabinet. It also reflects the embarrassment of a government which has painted itself into a fiscal corner.

Without an absolute majority in the Assembly, the Socialist-led cabinet depends on the support of Communist MPs. This obviously limits the scope for spending cuts. On the other hand, Mr Lionel Jospin, the prime minister, is unwilling to raise income tax for fear of a middle-class backlash, especially with low domestic consumption holding back recovery.

The spending side of the draft budget discussed last week was the subject of fierce fighting. Some FFr10bn ($1.61bn) earmarked for the creation of 150,000 public sector jobs was to be matched by cuts in less efficient job subsidies. But Mrs Martine Aubry, the employment minister, would have none of it. It seems that the defence budget, trimmed twice this year, will again bear the brunt of the cuts.

At best, this would leave next year's deficit at 3.3 per cent of gross domestic product.

With the 1997 figure set to overshoot the target set by the Maastricht treaty by the same amount, France is under pressure to demonstrate that it can keep net borrowing on a downward path.

As the spending side of the budget is now agreed, bolstering revenues seems to be the only answer.

One possible solution would lie in a repeat of this year's raid on the coffers of France Télécom which saw FFr37.5bn passing from the utility into the state's pocket.

There have been suggestions that EdF, the electricity company, might be a source of additional funding, which would help the budget hit the magical Maastricht 3 per cent. That would be a false move, and hardly evidence of long-term fiscal soundness.

Mr Dominique Strauss-Kahn, the finance minister, hopes a return to growth will release some of the pressure.

Alternatively, if the authorities go ahead with the privatisation of France Télécom, the receipts could be handed to loss-making state companies, a move allowed by the Maastricht rules. But this will have a limited impact, both in scope and time.

If it wants lasting fiscal credibility, the government must confront spending decisively. It has more margin to do so than individual ministers like to admit. At present, 40 per cent of public expenditure goes in civil servants' pay and benefits. Mr Jospin must contemplate pensions reform and downsizing the civil service if he is to liberate himself from his budget straitjacket.

Out of Albania

The Italian-led international peacekeeping mission in Albania, just concluded, deserves congratulation. Above all, it was only the force's presence which made possible the reasonably free elections in June. These led to a peaceful transition of power from the discredited former administration.

It was lucky, however, that the election results were so unambiguous. A closer result, with the possibility of a challenge by the losers, could have led to renewed fighting and either a longer and deeper international engagement or an embarrassing retreat.

As it is, the new Albanian government has both a clear mandate and international goodwill. This should now express itself through substantial aid for the restoration of the infrastructure wrecked during the unrest and for the creation of institutions which will prevent violence from recurring. Among these are stable and honest banks and supervisory bodies.

Before this can happen, however, order must be restored, and the government faces horrendous difficulties. It has made a brave start by sending police into the town of Vlore, and arresting gang members there; but many of the army's heavy weapons are now in the hands of criminal gangs and local militias, and most roads remain utterly unsafe. In northern areas loyal to former President Sali Berisha, the new authorities would in any case be well advised to leave well alone, at least for the moment.

Much new equipment, training and money for the police and army will be needed, and they will have to come from outside. The Italians, Greeks and Turks have left behind small missions to advise and report to their governments. Nato and the EU should also do all they can.

For while things have gone far better than they might have, the Albanian crisis still has depressing implications for Europe. When violence erupted in March, both Nato and the EU shied away from involvement. The international mission was in the end driven and manned chiefly by Italy, the country most threatened by the side-effects of Albanian anarchy. And even in Italy, the domestic political reaction almost brought down the Prodi government, forcing it to make the troops' mission a short one.

So far in Albania, this has not mattered; but if a similarly precipitate withdrawal is repeated next year by the Sfor troops in Bosnia, war could resume. And the Bosnian war did more than humiliate Nato. It created splits between the US and Europe deep enough to threaten the organisation's existence.

Unsceptr'd isle

The British Tourist Authority is redesigning its logo, causing tremors among the truest and bluest in the nation. British Airways has already spent millions downgrading the role of the union flag in its livery, raising disconcerting questions of national identity.

For good (or bad) measure Mr Tony Blair, the prime minister, is importing frothy folk from the music and design industries into his Downing Street parties. There is no escape, it seems, from a serious attempt to redefine Britain's brand image in the global market place. The hunt is on for a post-imperial, non-historical, anti-theme park marketing message.

And not before time, you may say. British beef has been tarnished by BSE. The royal family keeps ever more curious company. Of the handful of Church of England clergymen who still believe in God, half seem to be gay and worried about it. The great national game, cricket, has degenerated into a monotonous crawl punctuated by outbursts of brutish speed and bad temper. Throw in a residue of warm beer and the brand is a global liability.

The difficulty in recreating the image is that British national identity without the royals, the Archbishop of Canterbury and beefeaters is so frustratingly difficult to pin down. For a start, the country is not a sceptr'd isle but four different nations; and its identity will become even more disparate after Mr Blair's constitutional reforms take effect.

Some people in mainland Britain feel less in common with the Ulster loyalists who wear funny hats, bang drums and speak inpenetrable English than with sausage-eating Germans. Many Scots, if not disloyal, are simply different. The Welsh are less hostile to London than the Scots, but they have recently become less obviously British thanks to the compulsory reinvigoration of the Welsh language in schools. And cricket, of course, has been less successful in penetrating the celtic fringe than the British empire of old.

The striking feature of modern British identity is its sheer eclecticism. Think only of British cuisine, where the multiracial character of the country has worked wonders on the national palate. And there's the rub. It is hard to turn eclecticism into a brand image.

Heritage, even when looted, thus has its uses. Besides, the beefeaters and warm beer will help tourists fathom one of the great conundrums of the age: why the citizens of the country that once ran the greatest empire known to man are now poorer than those of Luxembourg – and why, politicians apart, it doesn't bother them.

India's 50-50 record

Mark Nicholson argues that Nehru's legacy has been a mixed blessing for India

"The legacy of the greatest mass movement of the 20th century has been squandered."

That verdict on India's 50 years of independence (in a weekly magazine called Outlook), captures a widespread sense of dissatisfaction.

Is the verdict justified? Has India, born 50 years ago today, been in some sense a failure? Any judgment needs to begin by comparing the record of the past half century with the aims set out by the country's first prime minister, Jawaharlal Nehru.

At midnight on August 15 1946, Nehru said that India had "redeemed its pledge" of independence "not wholly, or in full measure, but very substantially". Over the next 17 years, he sought to redeem the pledge fully through a great project to transform his country.

He had three aims. First, and most important, he wanted to make the partitioned former colony into a constitutional and democratic nation state. Second, he wanted to turn India from a poor, rural country dependent on manufactured imports into an industrial power that was self-reliant and protected from the vagaries of international capitalism. Third, Nehru wanted India to emerge from under its colonial cloak to become an independent force, one that stood aloof from the emerging rivalries of the cold war and would be a leading force in what during his years became known as the Third World.

Of his success in the first task, implanting democracy, there can be little question. Except during Indira Gandhi's "emergency" (ie, autocratic) rule in 1975, India has enjoyed an unfettered press, held successive fair elections, allowed different parties to alternate in government, and kept the army in the barracks. Nehru also managed to make India a united country for the first time in its history. (During the British Raj, much of the country had been ruled by independent princes.) It is an enviable Asian record.

Further, India's traditions of political accountability and a free press have spared it the horror of mass starvation. Politicians were forced to respond to early signs of famine. That is a significant distinction from China.

But no one could argue that India's economic performance has been a success. With a sixth of the world's people, India houses a third of its absolute poor. Half its population is illiterate and half its children undernourished. These are worse records than in sub-Saharan Africa.

Certainly, India has succeeded in feeding a population which has almost trebled since independence to 960m. But in terms of living standards its Asian neighbours have shown what an opportunity India has missed. Many of those countries were on an equal economic footing with India in the 1960s. China, for example, had roughly the same per capita income as India in 1947. Today's China is twice as rich. In 1947, a report said that India, because of its natural resources, skilled administration and established rule of law, was more likely to achieve fast growth than South Korea. Now, Korea's GDP per head is more than 1,000 per cent higher. India's growth rate until the late 1980s – 3-4 per cent a year – became disparagingly known as the "Hindu rate of growth".

The country's "non-aligned" foreign policy has suffered a fate that lies somewhere between this qualified economic failure and the modest political success. It has simply been by-passed. Whatever relevance the non-aligned movement had in the 1960s has largely disappeared since the disintegration of the Soviet Union.

Yet Indian leaders have continued to affirm that the movement remains central to the country's foreign policy. Blinkered by their protectionist economic policies (at least until the early 1990s), they failed to adjust to a world in which trade and investment were reshaping global alliances. Meanwhile, India's attempts to lead and develop its own regional grouping, the South Asian Association for Regional Co-operation, foundered on the inability of India and Pakistan to reconcile their bitter differences.

These outcomes have all flowed from Nehru's original project. For Nehru the creation of a modern nation required a combination of political freedoms with economic protectionism and central planning. Mr Sunil Khilnani, a political scientist, writes in a recent book The Idea of India, that Nehru was convinced that "political independence would not remove India's vulnerability to economic imperialism".

So five-year plans were written. A labyrinthine system of licenses and controls was set up to direct domestic investment into favoured projects. All sorts of restrictions were placed on trade and foreign investment, and massive resources were poured into public-sector enterprises. "The strategy of Indian industrialisation did not change much from independence to 1990," wrote two economists, Mr Vijay Joshi and Mr Ian Little, in a recent study. "It emphasised heavy industry, public ownership and import substitution. This went along with contempt for the price mechanism and a belief that competition was harmful."

In 1991, this economic part of Nehru's legacy collapsed. Hit by the loss of traditional markets in the Soviet Union and by the Gulf war oil shock, India began to run out of foreign reserves.

The crisis forced, and permitted, reform. Mr Manmohan Singh, then finance minister of the Congress Party government, swept aside many of the Nehruvian controls.

At the time, Mr Singh said he expected "blood, sweat and tears". In fact, after just two years of slower growth, the reforms reaped some rewards. Helped by unprecedented interest from foreign investors, India's growth rose to between 6 and 7 per cent a year. A lot still needs to be done if India is to achieve the sort of growth (8 or 9 per cent) that would pull its millions out of poverty.

But the reforms so far have already had one further impact, this time on a part of Nehru's political legacy. The end of industrial licencing and the opening of trade has shifted many economic powers from the central government to India's states.

The force of this regional economic power is the greater because it coincides with a movement towards the devolution of political power in India.

In many Indian states, notably Assam, Punjab, Maharashtra, Tamil Nadu and Andhra Pradesh, assertive regional political groups have emerged. In the poorer and more deeply caste-ridden north Indian states, particularly Uttar Pradesh and Bihar, there have sprung up local parties defined by caste allegiance. These groups flourished amid the general increase in participatory democracy during the 1970s and 1980s. They were also helped by the simultaneous decay of the 112-year-old Congress party, Nehru's party, which ruled India almost uninterrupted for more than 40 years.

Congress's political hegemony is, however, over. Widely perceived as ageing, corrupt and out of touch, the party polled a record low vote in last year's elections. Congress was always an informal coalition of upper caste Hindus, lowest-caste Dalits and Moslems. Now, the component parts have begun to form their own parties.

These new trends showed up in the results of last year's elections. Congress's share of the vote declined further and no party won a majority. Instead, 13 disparate parties united to form the government – chiefly to keep from power the Hindu nationalist Bharatiya Janata Party

The fractious and uneven performance of the United Front government today exercises India's pundits. But there is a deeper question facing the country. As parts of Nehru's legacy are dismantled, many Indians are beginning to wonder whether their country will survive as one nation. In a poll in this week's India Today , 95 per cent of the 12,000 respondents said they considered their vote "valuable". But only 41 per cent thought India would remain united in the next 50 years.

In fact, there is no immediate threat to the union. Only in Jammu & Kashmir and in the north-east are there true separatist movements. It is another achievement of India's 50 years that there remains a broad consensus over the integrity of the state that Nehru built. But there is a doubt that the new "sectional" politicians will be able to co-operate and govern the country.

For some, these forces are an inevitable consequence of the growth of democracy. Mr V.S. Naipal, author of three books on India, wrote that his travels round India had persuaded him the country was "developing quite marvellously". But he added: "When a country begins to extend justice to people lower down, it's a very messy business... And that's what you have now, all these small politicians with small reputations and small parties. But this is part of growth, this is part of development."

But if India's future has seldom been more difficult to predict than in this, its 50th year, it has perhaps never been more important. Early next century, India will become the most populous country in the world. And on this huge state, the dilemmas of democracy and diversity are being played out.

Mr Khilnani sums it up thus: "The assertion of community and group rights and the use of democracy to affirm collective identities; the difficulties of maintaining large-scale, multicultural political unions; the compulsion to make democracy work without prosperity... the older democracies might recognise that each of these stands uncomfortably close to their own doorsteps."

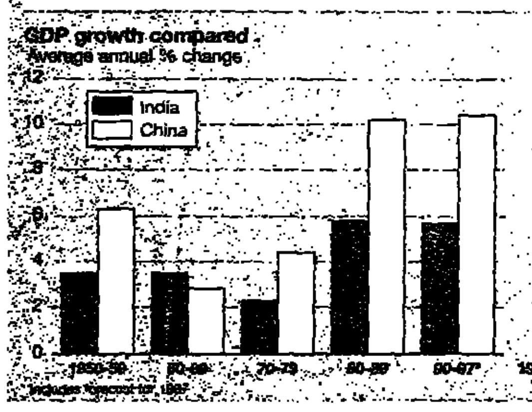
Independence Day celebrations in Calcutta

Indicators of development

	India	China
GDP per capita ($) 1995	340	620
Poverty (% of people living on less than $1 per day)	52.5	29.4
Life expectancy	62	69
Adult illiteracy (%)	48	19
Prevalence of malnutrition (% under five)	63	17
Infant mortality rate (per 1,000 births)	68	34
Televisions per 100 people	4	3
Public spending on health (% of GDP)	1.3	2.1

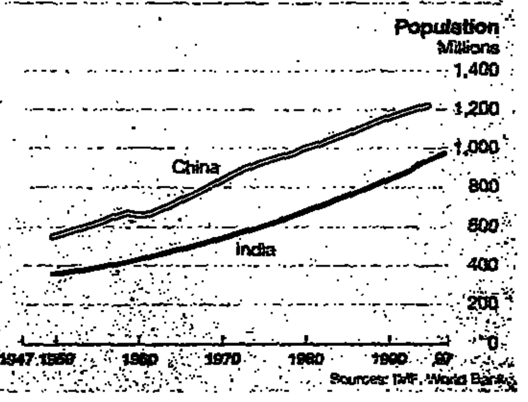
Source: World Bank Development Report 1997

GDP growth compared
Average annual % change



*Includes forecast for 1997

Population
Millions



Sources: IMF, World Bank

OBSERVER · INDIA AND PAKISTAN 50TH ANNIVERSARY

Celebration by numbers

■ India's golden jubilee needed a lot of organising – so the government appointed a lot of organisers. First there was a 227-strong committee chaired by the prime minister, stacked with politicans and luminaries like Mother Teresa and film star Dilip Kumar. It managed to meet twice – both times, fewer than half the members attended.

Then there were 10 advisory groups from various ministries, with two joint secretaries and a staff of 88 looking after an overall budget of Rs510m ($14m).

Despite, or maybe because of, this army of busy bodies, few events came to pass. "The babus [bureaucrats] in Delhi sat and slept over files as time ran out," said the exasperated Indian Express this week.

They did manage to set up two big set pieces – last night's midnight session of parliament, including a playback of Nehru's 1947 "tryst with destiny" speech, and a March of the Nation through the centre of Delhi, with representatives from all India's regions, religions, trades and professions.

The organisers had hoped for 25,000 marchers but there hasn't been much of a festive mood in Delhi – so this week the babus were finally panicked into action, sending circulars to government departments and trade organisations urging them to make a good showing. It would have been some parade if all the organisers had turned up.

Cake stand

■ Pakistanis are ambivalent about what to make of their country's 50th anniversary, let alone how to celebrate it. Unemployment is high, manufacturing is shrinking and a draconian new anti-terrorism law has been introduced. The mood became more sombre last night when two people died in a crowd stampede as prime minister Nawaz Sharif visited the tomb of Pakistan's founder Mohammad Ali Jinnah.

Religious activists have pulled a number of stunts – a mock hanging hit the front pages this week – to underline their argument that there's nothing to celebrate: they'd like a stricter interpretation of Islam as well as economic success.

The government is trying to kindle some enthusiasm by arranging fireworks displays and illuminating state buildings. Things may be bad, runs the official line, but let's be glad the country has survived for five decades.

There's a little consolation for some in what's claimed to be the world's tallest cake, baked in Faisalabad. The Guinness Book of Records has been invited to measure it, but the city's 1m-plus people have been invited to take a bite, so the record gurus had better be quick.

Fighting fit

■ Better late than never: the Indian government looks set this week to bestow some jubilee honours on its "freedom fighters", the ageing elite who suffered in the country's independence fight against the British.

Their pension will be doubled to Rs3,000 ($84) a month and there are some new perks – the Hindustan Times says they'll get cash gifts on the marriage of their eldest three daughters. Given that the youngest freedom fighters are in their late 60s, and most Indian women marry in their early 20s, Observer wonders if these gifts will be retroactive.

One offer for freedom fighters, whatever their age or family circumstances, is a free annual flight to the Andaman Islands to visit the notorious island prison which was the Raj's Robben Island. A merry prospect indeed.

Guest speaker

■ Time may be a great healer, but India's politicians remain touchy about representatives of the old Raj, even 50 years on. Britain has endeavoured to play a decorously low-key role in India's jubilee celebrations, but it hasn't managed to be low-key enough for some.

The sole British political guest at the celebrations is Betty Boothroyd, speaker to the House of Commons. She was initially pencilled in to address last night's special parliamentary session, but this idea was dropped after the Hindu nationalist Bharatiya Janata Party objected.

Then P.A. Sangma, the Indian speaker, invited Boothroyd to sit up on the dais with him during the session, but this was dropped after an all-party protest: she represented the "seal of the colonial regime that put India under subjugation for over two centuries," said one MP. It may be the same issue as 50 years ago, but at least India's politicians can agree about something.

Midnight feast

■ One small piece of Pakistani political history was made as prime minister Nawaz Sharif began his ceremonial speech to parliament at one minute past midnight. A late-night appearance by a Pakistani premier usually means he's just been sacked by the president.

The Financial Times 50 years ago

India And Pakistan
At midnight to-night 163 years of British rule in India ends, and the birth of the new Dominions of India and Pakistan will be proclaimed. The keynote of to-morrow's independence is the necessity to restore order in both new Dominions without delay. Bearish stock and commodity markets and rising prices for imported goods indicate the need for definite trade and industrial policies both in India and Pakistan. Divided India enters dominionhood in a parlous economic plight which the release of £65 millions sterling under the new agreement with Britain will not substantially help.

Reply To Marshall Aid Plan
A policy lead probably from Britain to steer the 16 nations planning their reply to the U.S. on the Marshall aid to Europe offer is confidently expected by observers in Paris during the vital last 10 days of the talks when the executive and co-operation committees are to make the final decisions on Europe's blue-print for reconstruction. Although the committee for European economic co-operation has now been at work for four-and-a-half weeks and has a self-imposed deadline of 1st September, the economic blue-print still looks vague.

FINANCIAL TIMES
Friday August 15 1997

Indonesian rupiah slides to record low against US dollar

By Greg Earl in Jakarta

The Indonesian rupiah yesterday fell more than 6 per cent to a record low against the US dollar as the country's central bank abandoned its attempt to hold the currency within its newly expanded trading band.

In the latest phase of south-east Asia's currency turmoil, the Indonesian authorities finally yielded to a wave of speculation that had previously broken the backs of the Thai baht, the Philippine peso and the Malaysian ringgit.

Bank Indonesia, the central bank, had already spent US$500m on Wednesday in a vain attempt to support the rupiah.

Market interest rates rose sharply again and the stock market fell more than 2 per cent after Mr Mar'ie Muhammad, finance minister, signalled he would use firm monetary policy to defend the newly floated currency.

Traders said many Indonesian banks had been caught out by the decision because the government had for the past month been urging domestic institutions and companies to back the currency.

There is also concern that many Indonesian companies which have foreign currency loans may not be adequately hedged to accommodate yesterday's substantial fall.

The rupiah dropped to about 2770 to the US dollar after the float, down from about 2640. The unit weakened significantly last night, falling though the important 2800 support level to 2830.

Mr Mar'ie told a press conference after the close of trading he hoped the situation would stabilise, so the float would not endanger economic activity.

He emphasised Indonesia's strong fundamentals, especially its declining inflation this year.

Despite being applauded for its deft approach to currency liberalisation over the past year, Indonesia was eventually forced to follow Thailand, Malaysia and the Philippines, which have all moved to relatively free floats in the past month.

Dr Soedradjad Djiwandono, governor of Bank Indonesia, the central bank, told a conference yesterday Indonesia had become the latest target for speculators after selling pressure had forced other Asian countries to abandon attempts to support their currencies.

Dr Soedradjad revealed the bank had spent a total of US$1.5bn defending the rupiah in the past month.

Landscape changes, Page 6

China pledges $1bn for Thai rescue

China yesterday confirmed it would contribute $1bn to the $16bn emergency rescue package for Thailand assembled earlier this week by the International Monetary Fund and a group of Asian countries led by Japan.

Beijing's involvement marks a new level of Chinese participation in regional financial co-operation. China's central bank informed the IMF on Wednesday it would provide $1bn.

China had previously indicated it was prepared to help restore currency stability in Asia, but gave no specific commitment of funds. Page 6

Argentina hit by general strike

By Ken Warn in Buenos Aires

Much of Argentina was disrupted yesterday as opposition trades unions staged a general strike in protest at high unemployment and the government's free-market economic policies.

Most bus drivers heeded the strike call, and protesters set up roadblocks on one of the main routes into the capital, Buenos Aires, and in many provinces.

Schools were closed in the capital and rubbish piled up on street corners. Hospitals offered emergency only services.

However, only a minority of the Argentine workforce actually went on strike. The main union umbrella organisation, the CGT, retains strong links with the ruling Peronist party and refused to back the stoppage.

In Buenos Aires banks were open, train services were near normal, and the underground was running a reduced service. International flights were barely affected.

The strike was called by dissident groups representing about 30 per cent of the unionised workforce, or 10 per cent of all workers.

They oppose labour reform plans being drafted in Congress which they claim will cut union bargaining power.

They are also demanding government action to cut unemployment, stuck at more than 16 per cent despite economic growth expected to reach about 8 per cent this year.

Mr Hugo Moyano, head of the truck drivers' union, said the strike had been widely observed, with almost total support from his members and from steelworkers. The protest was "a big blow to the government and a vote against their policies".

However, the government attempted to shrug off the stoppage, the eighth since President Carlos Menem came to power in 1989. The strike had no objective, and would solve nothing, said Mr Alberto Kohan, presidential chief of staff.

The protest also won only lukewarm support from the newly formed alliance between the opposition Radical party and the left-of-centre Frepaso.

The Alliance hopes to overturn the slim Peronist majority in the lower house of Congress in the October 26 mid-term elections, in which half the seats are at stake.

It also aims to field a joint candidate in the presidential elections in 1999, when Mr Menem must stand down.

Greenpeace aims to make waves with oil rig protest

By Michael Peel, with Greenpeace off the Shetland Islands

A cartoon on the bridge of the Greenpeace ship Rainbow C shows two activists in a dinghy looking at a "Save Hedgehogs" banner pinned to an oil rig. One man is saying to the other: "I sometimes wonder if we aren't losing our focus."

It is a criticism the oil industry and some commentators have applied to the pressure group's summer-long campaign to disrupt oil exploration at the Atlantic frontier.

Greenpeace is protesting at the burning of fossil fuels, which it says will cause climate change. Its critics counter that one of its main targets, the Foinaven field, will account for only 0.5 per cent of the UK's annual oil output.

Mr Christian Bussau, a campaign manager, says the critics are short-sighted. "What the industry should do is go with the oil that is already discovered and put more and more money into environmentally friendly resources."

As he speaks, the Rainbow C speeds towards the area west of Shetland where protestors have for the past five days occupied the legs of the mobile oil rig Stena Dee, which is chartered to work on British Petroleum's Foinaven field. The rig has been stranded a few miles away, and Greenpeace divers have blocked it when attempts have been made to move it.

BP has described the Foinaven campaign as a series of stunts. It has accused Greenpeace of holding the debate on oil exploration through the media rather than directly with the oil company.

The 30-strong crew of the Rainbow C seem committed to a long and dangerous summer's campaigning. Ms Sabine Fielitz, a 33-year-old deckhand from Germany, is midway through a four-month stint. She chained herself to one of the Stena Dee's legs at the start of the protest. "The danger was in getting from the inflatable boat to the rig," she says. "You get a lot of different waves from every side and on days with a force six or seven wind that's not very easy."

Greenpeace has now strapped a three-berth survival pod to the rig to house the occupying protesters.

US cattle renderers

Continued from Page 1

want exports of their tallow derivatives to the EU exempted from the rules. They cite the opinion of another EU scientific committee to the effect that heat-treated tallow derivatives pose no risk of transmitting mad cow disease. If the exemption is not granted, they have instructed Mr Raymond Calamaro, a lawyer with the Washington firm Hogan & Hartson, working with a Brussels lawyer, to prepare a case under a rarely used article of the Treaty of Rome, the EU's founding treaty.

Article 215 says European Commission actions must be governed by law, otherwise Brussels must "make good any damage caused by its institutions or by its servants in the performance of their duties".

THE LEX COLUMN

Midnight's twins

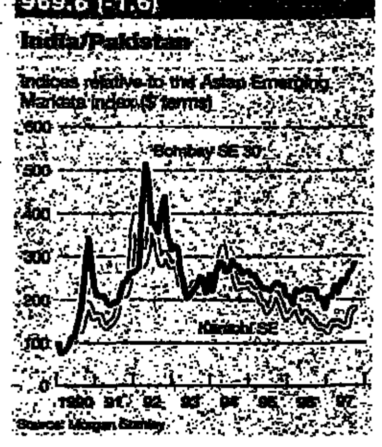
After 50 years of independence, India and Pakistan have yet to get their fair share of the so-called Asian economic miracle that transformed economies further east. The bureaucracy they inherited was expanded and helped foster uncompetitive economies. Indeed, India's income per head has fallen to half that of China. But India and Pakistan finally have governments in place committed to economic liberalisation and competing with the likes of China for foreign investment.

India must be enjoying some *schadenfreude* at the current account deficits and tumbling currencies of the more glamorous Asian tiger economies. Indian interest rates are falling against a backdrop of a strong rupee, and the stock market has risen 40 per cent this year. But it faces enormous challenges in its attempt to drive sustained economic growth and catch up with those tigers.

State subsidies, primarily on oil and food products, still amount to 14 per cent of gross domestic product and these can neither be justified nor afforded. Labour regulation must be tackled to make industry more competitive, and the privatisation programme needs to be accelerated. At least there is support for such measures across the political spectrum and trade barriers are coming down. But the opposition will still block unpopular measures to gain political capital.

Economic growth is set to stumble this year. But with interest rates falling and shares trading at 13 times current year earnings – less than half their 1994 level – there seems further upside. The breadth of commitment to liberalisation points to a sustained period of economic recovery.

FTSE Eurotop 300 index
969.6 (-1.6)



Pakistan

Pakistan has achieved much faster growth rates than India since partition, but it is counting the costs. Industry is stagnating, its stock market is the pariah of Asia and it has been forced to beg on bended knee for help from the International Monetary Fund.

At least there is the rare sight of a reformist government in power with a landslide majority, so tough actions look achievable. But the government is having to gamble. It has slashed taxes in the hope of bringing in more taxpayers. But revenues are likely to fall in the short term, during the year when Pakistan has promised to cut its budget deficit to 5 per cent of gross domestic product. The slight thawing of the cold war with India offers some hope for reducing defence spending, which eats a quarter of the budget. But Pakistan failed to achieve the targets of the last six IMF programmes and it looks set to struggle once more. This government may be more enthusiastic about reform, but the IMF will want to see trends, rather than promises.

For investors, the risk/reward ratio looks favourable for the moment. The Karachi stock market is trading at just 8½ times current year earnings, making it probably the cheapest in Asia, despite high growth rates. But if the reformist euphoria gives way to concerns over renegotiations with the IMF, the risk premium will rebound.

Equity issues

Unhappy institutions, so upset on Tuesday by Royal Bank of Scotland's cosy share issue to its pal Scottish Widows, will doubtless draw grim satisfaction from the fact that the Widows' discount has now entirely evaporated. But the institutions are not entirely free from blame in this affair. The reason? Their own guidelines on issuing modest pockets of stock permit precisely this kind of stitch-up.

The principle should be simple enough: a company planning to raise capital should aim to get the best possible price, net of costs. In practice, this means seeking interest from a decent range of potential buyers – either soliciting a number of brokers' quotes for a bought deal or marketing directly to a range of institutions. Opinions differ on the discount such operations might yield, but something of the order of 1-3 per cent seems likely. The Widows' 4 per cent looks generous by contrast.

Yet the institutions, which grant companies the freedom to issue stock, do not require any kind of competitive process. Instead their guidelines merely say discounts should be constrained to a rather lax 5 per cent – leaving companies free to hand stock out cheap to buddies if they choose. That does not make the practice defensible. But the remedy is in the institutions' hands – they should tighten their rules to require genuinely competitive pricing. That would have one snag: it would restrict their own freedom to receive occasional goodies on the cheap.

Albert Fisher

Albert Fisher always looked an unlikely bride, despite the fervent attentions of Chiquita Brands. Once on the cusp of the blue-chip FTSE 100 index, it was a classic 1980s conglomerate, built on hot air and a chain of unrelated acquisitions. Nobody had time to integrate businesses or devise a strategy. After the collapse, a new management came out with plenty of strategies, revolving around climbing up the value chain from the commodity businesses that generated the bulk of profits. But even then, there was always some banana skin.

At least the would-be bidder, a US banana supplier, ought to have an eye for the skins. Unfortunately Chiquita wanted to pay in them as well, offering largely its own highly-leveraged shares. British shareholders would have had little appetite. So Albert Fisher's alternative of selling out of seafood and other odds and ends for some £100m and buying back shares sounds vastly preferable. It will stick in some investors' throats, however, since it paid for much of the seafood division in 1994 via a rights issue at 52p. The shares will be bought back much more cheaply.

The hope is that, having dumped seafood, the company will attract other suitors. But it is hard to envisage approaches by anyone but vulture funds for even a refocused Albert Fisher – a hotchpotch of unattractive and often unrelated businesses. Having shed one non-core business, shareholders' best hope is that the management acts as a financial buyer would and starts hacking off the others.

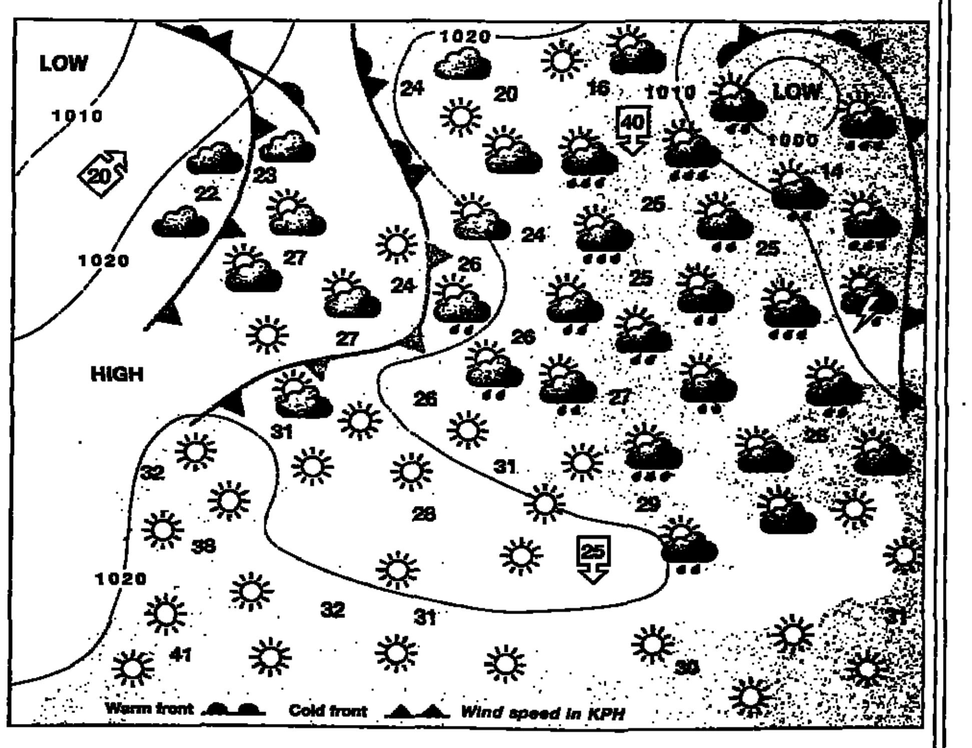
FT WEATHER GUIDE

Europe today

North-east Europe will be cool and blustery with a lot of cloud and showers or longer periods of rain. Norway, Sweden and Denmark will be mainly fine with spells of warm sunshine and low humidity. Much of central and north-west Europe will be dry with a good deal of hot sunshine, but some showers are possible, especially over the Alps and in Germany. South-east Europe will have scattered thundery showers, stretching as far south as northern Greece. However, most of the Mediterranean will be sunny, with any showers confined to the mountains.

Five-day forecast

North-east Europe will stay cool and unsettled. It will continue showery in the Alps, eastern Germany, the Balkans, Poland and Romania. The Mediterranean and the rest of Europe will be fine and settled with hot sunshine, although the high temperatures may bring occasional thunderstorms to Spain and France.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	Fair 33	Caracas	Fair 32	Faro	Sun 29	Madrid	Sun 35	Rangoon	Shower 29
		Belfast	Shower 23	Cardiff	Fair 24	Frankfurt	Fair 28	Majorca	Sun 31	Reykjavik	Drizzle 15
Abu Dhabi	Sun 41	Belgrade	Cloudy 27	Casablanca	Sun 28	Geneva	Fair 29	Malta	Fair 29	Rio	Sun 24
Accra	Fair 28	Berlin	Shower 26	Chicago	Fair 30	Gibraltar	Sun 25	Manchester	Fair 23	Rome	Sun 31
Algiers	Sun 31	Bermuda	Fair 29	Cologne	Fair 25	Glasgow	Cloudy 21	Manila	Shower 32	S. Frsco	Sun 24
Amsterdam	Sun 26	Bogota	Fair 19	Dakar	Sun 30	Hamburg	Cloudy 24	Melbourne	Fair 16	Seoul	Fair 32
Athens	Fair 27	Bombay	Shower 31	Dallas	Fair 37	Helsinki	Shower 16	Mexico City	Fair 27	Singapore	Fair 33
Atlanta	Fair 33	Brussels	Sun 25	Delhi	Thunder 32	Hong Kong	Shower 29	Miami	Fair 33	Stockholm	Fair 20
B. Aires	Shower 21	Budapest	Fair 27	Dubai	Sun 40	Honolulu	Fair 31	Milan	Fair 29	Strasbourg	Fair 27
B.Ham	Sun 25	C.Hagen	Fair 23	Dublin	Fair 22	Istanbul	Shower 25	Montreal	Fair 23	Sydney	Sun 19
Bangkok	Fair 35	Cairo	Sun 33	Dubrovnik	Sun 27	Jakarta	Fair 32	Moscow	Rain 14	Tangier	Sun 32
Barcelona	Sun 28	Cape Town	Fair 19	Edinburgh	Fair 22	Jersey	Fair 20	Munich	Fair 28	Tel Aviv	Sun 31
						Karachi	Shower 30	Nairobi	Fair 25	Tokyo	Fair 31
						Kuwait	Sun 43	Naples	Sun 30	Toronto	Thunder 25
						L. Angeles	Sun 23	Nassau	Sun 33	Vancouver	Sun 24
						Las Palmas	Fair 27	New York	Fair 26	Venice	Fair 27
						Lima	Cloudy 23	Nice	Sun 30	Vienna	Fair 26
						Lisbon	Sun 32	Nicosia	Sun 32	Warsaw	Shower 25
						London	Sunny 27	Oslo	Fair 25	Washington	Fair 28
						Lux.Bourg	Sun 26	Paris	Fair 28	Wellington	Fair 12
						Lyon	Fair 32	Perth	Shower 17	Winnipeg	Rain 19
						Madeira	Sun 25	Prague	Shower 24	Zurich	Fair 25

FINANCIAL TIMES
COMPANIES & MARKETS

Friday August 15 1997

Week 33

IN BRIEF

RWE to simplify share structure

RWE, the German industrial conglomerate, saw its listed shares jump DM7.85 to DM87.50 in heavy trading in Frankfurt after announcing plans for a simplified share structure. Page 14

Strong turnover growth by Aker
Aker RGI Holding, the newly created Norwegian conglomerate, reported its maiden half-year figures, showing pre-tax profits of NKr948m ($124.7m). Turnover for the consolidated group grew strongly from NKr9.51bn to NKr12bn. Page 14

Fisher breaks off bid talks
Takeover talks between Albert Fisher, the UK produce and seafood group, and a bidder believed to be Chiquita Brands, the US banana company, have broken off. Page 16; Lex Page 12

Cali Realty rises on $1.2bn deal
Shares in Cali Realty, the New Jersey-based real estate investment trust, gained 5.6 per cent in early trading as the market reacted to the news that it was to pay $1.2bn for 55 office properties which are currently privately held. Page 15

Price falls hit Korean chipmakers
Samsung Electronics and LG Semicon, South Korea's two leading chipmakers, reported sharp falls in first-half net profits as prices for mainstay 16-megabit memory chips remained low. Earnings at Samsung fell 73 per cent to Won123.2bn ($138m); LG Semicon's profits dropped 88 per cent to Won16bn. Page 15

Colonial set to meet forecasts
Colonial, the Australian financial services group that listed in May, is on course to meet, if not exceed, forecasts of full-year profits of A$180m (US$134m), said Mr Peter Smedley, chief executive. Page 15

NEC to launch rival to DVD
The battle to set the standard in the market for next-generation recordable discs looks set to intensify afterNEC, Japan's largest personal computer maker, unveiled plans to launch an optical disc next year. Page 15

Companies in this issue

Market Statistics http://www.FT.com

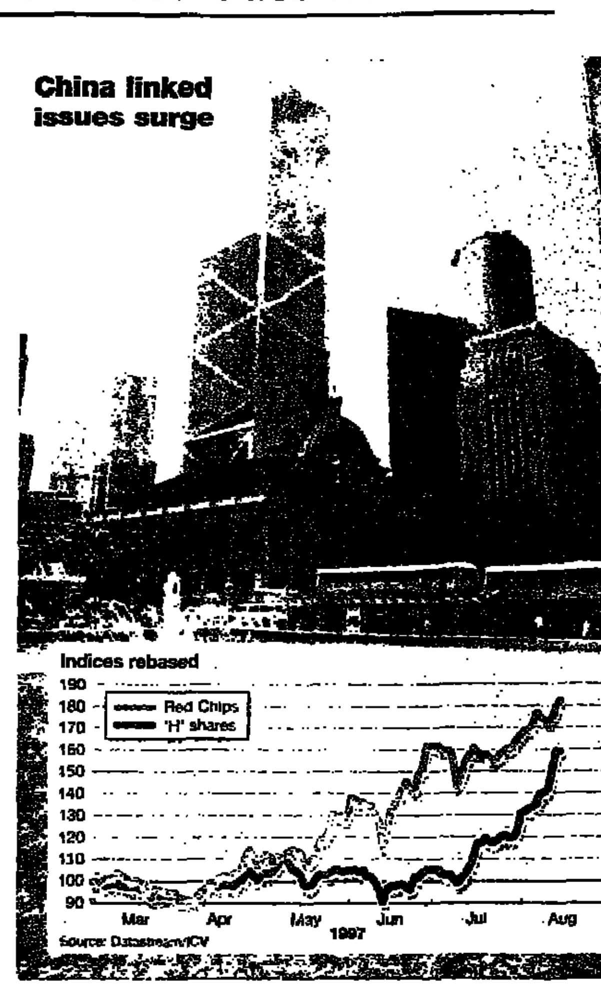
Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Altana	146.10	+	6.10	Alcatel	829	+	11
DLW	202.50	+	9.50	Dexia France	571	+	11
Preussag	585	+	9.80	Sata	176.50	+	5.90
Falls				Technip	724	+	24
BASF	68.67	–	3.53	**Falls**			
BMW	1365	–	48	Bancaire Cnp	726	–	14
Porsche	2530	–	115	Legrand	1121	–	30
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Cali Realty	37⅝	+	1⅝	Alps Electric	1620	+	90
Tosidas	22¾	+	1¾	Daiwa House	1420	+	90
Falls				Omega	2850	+	100
Ensco Intl	33¼	–	2¼	Honda	3780	+	130
Global Marine	26¼	–	1⅛	Toyota	3260	+	160
Nuevo Engy	42¼	–	3¾	**Falls**			
Wiser Oil	15¼	–	2¼	Ando Constr.	325	–	16
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
AIT	159½	+	17	Hopewell	5.30	+	0.60
Blacks Leisure	434½	+	23½	Sun Hung Kai	3.27	+	0.23
Dickson	80	+	6½	**Falls**			
Falls				Cathay Pac	14.35	–	0.65
Albert Fisher	36¼	–	4¾	Chinese Est	7.25	–	0.10
Anglo Welsh	75	–	7½	First Pac	9.35	–	0.10
Pleamoa	35½	–	5½	Sth Ch Mng Pst	7.55	–	0.15
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
Digital Process	11.50	+	1.15	Bangkok First	55.00	+	5.00
Gold Reserve	10.85	+	0.65	Muramoto El	35.75	+	3.25
Sesaio	3.10	+	0.65	Seafresh Ind	38.50	+	3.50
Falls				**Falls**			
Com Dy Intl	33.95	–	2.55	Amarin Prtg	23.00	–	2.50
Keltic A	5.50	–	0.50	Land & House	31.25	–	3.25
Prudent Steel	47.50	–	3.55	Precious Ship	38.50	–	4.25

New York & Toronto prices at 12.30.

Boost for Hong Kong bank amid rise in Chinese business issues

Ka Wah shares lifted by hope of restructuring



By John Ridding in Hong Kong

Ka Wah Bank shares rose sharply yesterday following the announcement that Citic, the Chinese investment company which controls the Hong Kong bank, is considering restructuring its financial division.

The increase in Ka Wah's share price, up 20 per cent to HK$13.15, came amid a surge in China-linked issues. Indices for B-shares in Shenzhen and Shanghai, which are reserved for foreigners, rose almost 10 per cent, while the index for red chips, the Hong Kong-listed vehicles of mainland businesses such as Ka Wah, gained almost 1.5 per cent.

Investment analysts said the rise in H-shares, Hong Kong-listed mainland state-owned enterprises, reflects expectations of restructuring in Chinese state-owned companies.

H-shares paused after a rally which has lifted them by more than 50 per cent since Hong Kong returned to Chinese sovereignty last month.

"Industrial restructuring will be one of the major issues on the agenda at the forthcoming party congress," said Ms Pitzi Lau, senior analyst at Salomon Brothers in Hong Kong.

Restructuring, she said, could boost the performance of Hong Kong-listed state-owned companies through asset injections or mergers.

Yesterday China-backed issues again dominated trading with Ka Wah Bank one of the most active shares. On Wednesday, all 10 of the most actively traded shares were red chips or H-shares. Yesterday all but one of the 10 most heavily traded shares were China-backed issues, with Ka Wah Bank seeing the heaviest volume.

Ka Wah Bank, one of Hong Kong's smaller banks, said it was considering a proposal to delist its shares as part of a listing process for a new holding company. It said the formation of the new company could assist in its expansion, raising expectations of asset injections from Citic.

Under the terms of the proposal, Ka Wah Bank would become a wholly owned subsidiary of the new holding company.

Shares in the new company would be distributed to investors in Ka Wah, according to a statement. "The proposal is prompted by management's desire to put in place an efficient corporate structure for its banking and related financial operations," the bank said.

Investment analysts in Hong Kong said the restructuring could involve combining Ka Wah and Citic's industrial bank, which operates on the mainland.

"The market expects that mainland assets would be injected into the new vehicle," said one Hong Kong banking analyst. "It would be easier for the holding company to buy assets because Ka Wah is currently restricted in the assets it can buy by the Hong Kong banking ordinance."

Several other mainland-backed companies have restructured their financial divisions. In June, China Everbright, the conglomerate controlled by China's state council, transferred a 20 per cent stake in its banking operation to one of its Hong Kong-listed subsidiaries. That deal followed a move by China Resources, one of the oldest red chips, to buy a controlling stake in HKCB Bank for HK$2bn.

UK cell phone group issues challenge

By Virginia Marsh in London

Orange, the newest of the UK's four cellular phone operators, yesterday threw down the gauntlet to its competitors, announcing plans to double its capital expenditure over the next two years.

Mr Hans Snook, managing director, said Orange would invest £800m ($1.3bn), rather than the planned £400m, to improve its network. It plans to increase the number of its cell sites – base stations – from 2,900 to 6,000 by 1999.

"This level of spending will clearly have an impact on the industry," said Mr Martin Mabbutt, telecoms analyst at UBS. "It will be a worry for the others and they will have to re-examine their capital expenditure plans."

The investment plans far exceed those of Vodafone and Cellnet, Orange's main rivals. Vodafone said yesterday it was planning capital expenditure of about £500m for 1997-98, about half of which would be in the UK. Cellnet said it would invest about £250m a year until 2000. Both said their GSM 900 systems did not require the same number of sites as Orange, which operates on a different frequency.

Hans Snook, left, with Orange's group finance director Graham Howe yesterday Picture: Ashley Ashwood

Mr Snook said the improvements would enable Orange to retain existing business and attract new customers, further reducing "churn" – the movement of subscribers between operators or off networks.

The investment would also allow Orange to launch advanced services such as video telephony.

Research indicated coverage easily outweighed cost as the main factor for churn and that customers expected better indoor connections and broader geographical coverage.

The sector's potentially strong growth rates were being held back by churn. In the first half of the year there were 1.61m (1.45m) new subscribers in the UK but taking into account cancellations the market grew by just 560,000.

The announcement of the investment came as Orange, which floated last year, announced better than expected interim results and said it was on track to become profitable on a month-by-month basis by late 1998.

Losses – which had been forecasted at £80m-£90m – fell to £73.5m (£125.2m) on turnover up 67 per cent to £426.9m.

Orange's UK market share rose to 13.3 per cent, with the company taking 35 per cent of net market growth in the first half. Subscribers increased 25 per cent to 980,000 since the start of the year, and in July passed the 1m mark.

The shares rose 8¼p to 220½p.

Italy seeks telecom investors

By Vincent Boland in London

The Italian government is asking some of the world's leading telecoms groups to take stakes in Telecom Italia before its full privatisation scheduled for the second half of October. Up to one-third of the state's remaining 44.7 per cent stake in Italy's national telecoms operator is to be reserved for between 10 and 20 "core shareholders" in a private placement.

The arrangement means that only about 30 per cent of the group – which has a market capitalisation of some L71,700bn ($40bn) – will be offered to the public. The sale is still likely to be the world's biggest this year.

Morgan Stanley and Euromobiliare, advisers to the treasury on the privatisation, have written to about 100 potential core shareholders. The aim is to create a group of long-term shareholders to provide stability for a limited period after privatisation.

Companies with which Telecom Italia has alliances or is planning links will be targeted, including AT&T, Unisource and Germany's Mannesmann.

Other potential investors include Italian banks and insurance companies as well as entrepreneurs and private sector investors. IFIL, the holding company of the Agnelli family, and companies owned by Mr Silvio Berlusconi are likely to be among the latter. Some international institutional investors are also being wooed. The group will be in place by the end of September.

Investors who agree to join the core group will each be offered a maximum 3 per cent stake in Telecom Italia, and they must agree not to sell for three years. Each investor will join individually, and will not be allowed to act in concert with other shareholders.

Troubled Crédit Lyonnais plans record ABS launch

By Samer Iskandar in Paris

Crédit Lyonnais, the troubled French bank, is considering launching the largest ever single-tranche issue of asset-backed securities (ABSs).

Bankers in Paris said yesterday they had been approached by Crédit Lyonnais about plans to issue up to FFr40bn ($6.46bn) of bonds, backed by part of a loan it had made to Etablissement Public de Financement et de Restructuration (EPFR) – a company set up two years ago by the French state to help rescue Crédit Lyonnais.

"Crédit Lyonnais has asked several banks to work on such a deal," said a syndicate manager at a large French bank.

ABSs are securities guaranteed by assets. In this case, the asset – the loan to EPFR – would be transferred to a financial entity created for this transaction, which in turn would issue bonds backed by EPFR's obligations.

Just over a year ago, Crédit Lyonnais launched the largest ever non-governmental bond when it securitised one-third of the FFr120bn loan to EPFR, a transaction made in four tranches. The new deal would set another record because it is likely to comprise only one tranche of bonds, according to the French financial newspaper Les Echos.

EPFR, backed by the French government, is rated triple-A by the main credit rating agencies. In contrast, Crédit Lyonnais' problems have caused its rating to tumble to the triple-B range, substantially raising the margins the bank has to pay when it borrows on the capital markets.

Bankers in Paris said a triple-A rated FFr40bn issue with a three to five-year maturity and offering good liquidity should be priced to yield 8-10 basis points more than government bonds with the same maturity. "If they can offer a double-digit spread, it would be a huge marketing argument," said one syndicate official. A basis point is one hundredth of a percentage point.

Securitising the loan to EPFR would offer Crédit Lyonnais two main benefits. First, the loan would be taken off the bank's balance sheet, freeing capital for banking activities. Second, the cost to Crédit Lyonnais of carrying the loan will be reduced.

BASF rise in profits fails to impress investors

By Sarah Althaus in Frankfurt

Shares in BASF fell sharply yesterday after the German chemicals group failed to impress investors with news of a 3.4 per cent rise in net profits to DM1.42bn ($770m) in the first half of the year.

The result, which came on the back of a 14.5 per cent increase in sales to DM27.8bn, was at the lower end of market expectations and followed a sharp profits fall at Hoechst, BASF's larger rival.

The shares lost DM3.53, or 4.9 per cent, to DM68.67 at the end of floor trading compared with a drop of about 1 per cent in the market overall.

"The results were alright but BASF would have had to have done an awful lot better to have cheered up investors following the disappointment with Hoechst," said Ms Christiane Dienhart, an analyst at Vereinsbank Research.

But BASF remained upbeat, citing robust demand, a strong order backlog and strength in sales and profits in the second quarter: "BASF remains on a growth path ... we consider our goal of achieving higher profits in 1997 and sales of over DM50bn to be realistic." In 1996, pre-tax profits totalled DM4.4bn on sales of DM49bn.

At the half-way stage, pre-tax profits were up 5.8 per cent at DM2.46bn.

Echoing other German chemical groups, Mr Jürgen Strube, chairman, said the D-Mark's weakness was helping to boost sales, with foreign turnover up 15.3 per cent at DM20.7bn in the first half.

Sales were strongest in North America, up 19.1 per cent, and the Asian-Pacific region, up 18.4 per cent.

However, price declines, charges connected with the closure of two polystyrene plants and increased marketing costs had led to a 54 per cent decline in operating profits in North America, Mr Strube said.

In Germany, sales were up 12.5 per cent at DM7.14bn, driven by sharp gains in the oil and gas division.

Among BASF's core activities, health and nutrition lifted sales 19.9 per cent, but earnings fell, partly because of high marketing costs for product launches.

Move would phase out 'multiple voting' rights of municipal shareholders

RWE plans simplified share structure

By Ralph Atkins
in Bonn

RWE, the German industrial conglomerate, saw its listed shares jump DM7.85 to DM87.50 in heavy trading in Frankfurt yesterday after announcing plans for a simplified share structure.

The proposal could lead to the traditionally-dominant municipal shareholders giving up their majority of voting rights.

If successful, the move would mark a significant transition for RWE, which has suffered from its reputation as a public sector dinosaur and has long sought to persuade the municipalities to cede control.

RWE said the plan to phase out controversial "multiple voting" rights for holders of registered shares, which are mainly held by local authorities, was intended to "enhance the attractiveness of RWE's shares to foreign investors".

The company's DM2.78bn ($1.5bn) share capital is divided into three groups – DM35.7m of registered shares, DM1.652bn in ordinary shares and DM1.09bn of preference shares. The registered shares have 20 votes each.

Under RWE's proposals, the registered shares would be converted into shares with only single voting rights. But at the same time, holders of preference shares would be given the opportunity to buy ordinary shares with voting rights.

The proceeds raised from preference shareholders would be used to compensate the registered shareholders for the loss of their voting rights. No funds would be drawn from corporate assets.

RWE said that if the plan succeeded, the voting rights held by municipalities could fall from 57 per cent to about 30 per cent. Nevertheless, the size of their shareholdings would mean local authorities remained a powerful influence over the group.

The total number of votes and the total share capital would not change, RWE added.

Mr Klaus-Peter Balthasar, deputy chairman of the Association of Municipal RWE shareholders (VKA), said yesterday that the proposals had come as a "surprise" and would be subjected to scrutiny by experts.

"A decision will not be taken by the VKA before September or October," Mr Balthasar said.

The value of bonuses paid for waiving multiple voting rights had yet to be decided but would be based on the prices of ordinary and preference shares, RWE said.

The share restructuring plan is subject to approval at the group's annual meeting in December.

RWE has not ruled out following other German conglomerates, such as Veba, the Düsseldorf-based concern, and seeking a stock market listing in the US.

It has significant interests in the energy sector and has a telecommunications joint venture with Veba.

Producers see end of pulp friction

European groups believe the conditions are right for a steady upswing in prices

Predictions by forestry industry executives, like those of weather forecasters, tend to vary in accuracy. A year or so ago, for instance, some big international groups were confidently predicting an end to the falling prices that had sent profits tumbling in the sector.

But instead of recovering, prices of wood pulp slid further, dragging down the prices of paper and packaging grades. Investors who had bought into the sector in expectation of an imminent upswing were unamused.

Now, company officials are again gazing into their crystal balls. The big Nordic pulp and paper producers, most of which have announced big half-year profit falls in recent days, are optimistic that a turnround is at last in progress.

According to Mr Juha Niemelä, chief executive of Finland's UPM-Kymmene, Europe's biggest forestry group, there is "a good chance" that prices of magazine paper and newsprint can be increased this year, although rates are still likely to be lower than last year.

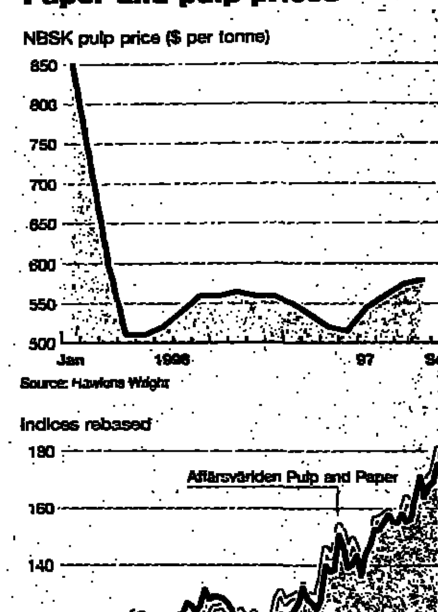
UPM-Kymmene and other groups have also announced a price rise of between 8 and 12 per cent for fine paper from next month. Executives stress the rebound will be gradual rather than rapid. Nevertheless, they believe the foundations are in place for a steady upswing.

Mr Lars-Ake Helgesson, chief executive at Stora, of Sweden, believes underlying conditions in the industry are better than at any time in the 1990s. Certainly, companies' balance sheets are in better shape than before.

Conscious of pleasing shareholders, managements have focused more closely on raising productivity and boosting margins rather than building new capacity. The relative lack of new mills coming on stream in an industry long prone to overcapacity should underpin future price rises. In addition, the appreciation of the US dollar has bolstered the competitiveness of European producers.

Prices of pulp, the main raw material for paper, have risen sharply since the spring as a steady reduction of inventories has reduced the slack in the market. From a cyclical low in April of $480 a tonne, the price of northern bleached softwood kraft pulp – the industry benchmark – has risen to $580 a tonne.

Paper and pulp prices



Some producers have forecast a further increase to $610 a tonne this autumn. But some analysts believe this may be premature, arguing that the low inflation environment has made it more difficult for suppliers to pass on price increases.

Others point to an increase in inventories in July as a sign that pulp supplies are not being fully absorbed by the market.

Industry executives say inventories often rise in July, a period of lower industrial activity in the northern hemisphere because of summer holidays. Nevertheless, upward pressure on inventories might have been expected to have been weaker than usual this year, because of a strike which has halted production at Fletcher Challenge Canada, one of North America's large suppliers.

Mr Mads Asprem, forestry analyst at Morgan Stanley in London, says the inventory rise "points to the fact that producers are going flat out because they are making good profits".

He worries that this could trigger fresh oversupply. One striking historical precedent is 1992, when a sharp devaluation of Nordic currencies and a strike in Canada coincided with a $100 a tonne rise in the pulp price. When the strike ended, prices crashed by $200.

Pulp prices are notoriously volatile, and are the chief reason behind the big cyclical swings which characterise the industry.

For the first time, it became possible this year for companies to hedge against price shifts by trading derivatives in pulp – options and futures exchanges were launched in Helsinki in February and in London in May.

However, forestry companies' efforts are at present more directed toward raising prices rather than hedging risk. So far, traded volumes have failed to live up to expectations.

The Finnish exchange says it trades some 10-30 contracts a week, while OM, the Swedish derivatives exchange operator behind the London scheme, reports daily volumes of about 30-40 contracts.

"This is a conservative industry and it will take time to get it to understand and fully embrace the concept of futures," says Mr Marcus Hamberg, in charge of commodities at OM.

Looking ahead, Mr Johan Krigström, forestry specialist at Enskilda Securities in London, sees the pulp price advancing to $750 a tonne in the fourth quarter of next year, rising to a peak of $850 in 1999. But such targets could be compromised if all companies produce at full throttle, fuelling oversupply.

Producers in the past year have showed better discipline than before in curbing production at a time of falling pulp and paper prices, says Mr Krigström.

"The question is whether they are so much more disciplined when prices are rising. I am not so sure."

Greg McIvor

Strong turnover growth by Aker

By Hilary Barnes
in Copenhagen

Aker RGI Holding, the newly created Norwegian conglomerate, yesterday reported maiden half-year figures, showing pre-tax profits of NKr948m ($124.7m).

The company was created by Mr Kjell Inge Røkke, the fisheries entrepreneur, when he gained control of Aker, the engineering group, in a hostile raid and merged it with his seafoods and property interests in Resource Group International.

Yesterday's results emphasised the reduction in net interest-bearing debt from NKr567m at the end of last year to NKr71m.

This contributed to a cut in financial costs from NKr117m last full year to NKr42m, while dividend income rose from NKr130m to NKr243m.

The equity to assets ratio increased from 43.8 per cent on December 31 to 52.4 per cent, with equity rising from NKr3.78bn to NKr4.59bn and assets up by just over NKr100m to NKr8.75bn.

The figures for the consolidated group, including Aker Maritime, the oil and gas technology business, Norway Seafoods, and Scancem, the Scandinavian cement group (in which Aer RGI has a 33.3 per cent share), showed a strong growth in turnover from NKr9.51bn in the first half of 1996 to NKr12bn.

Profits after net financial items increased from NKr257m to NKr284m, but operating losses of NKr237m compared with a profit last year of NKr288m.

The poor operating performance was mainly because of Norway Seafoods, which reported a loss of NKr313m this time against a profit of NKr102m. Turnover rose NKr50m to NKr2.95bn.

Norway Seafoods took a NKr400m restructuring charge to cover the closure of a factory in Denmark, the closure of sales offices in France and Singapore, and the reorganisation of its South American operations.

Yesterday's statement said that Aker Maritime, the oil and gas technology business, had completed one-third of the acquisitions necessary to achieve its target of doubling turnover and profits between 1996 and 2000.

But although sales grew and orders rose strongly in the first half, pre-tax profits slid from NKr133m in 1996 to NKr94m because of a NKr120m write-off on a Norwegian offshore project.

SCA offers DM550m for remainder of PWA

By Greg McIvor
n Stockholm

SCA, Sweden's largest forestry products group, yesterday announced a DM550m ($300m) bid for the 25 per cent of the shares it does not already own in PWA, the German paper group.

SCA said the move would produce further synergies from the link between the two. In particular, it would allow a merger of the managements of SCA's Mölnlycke hygiene products division with PWA's tissue business.

Mr Alfred Heinzel, PWA president, will head a new management team to be based near Munich. Mr Kurth Augustson, Mölnlycke president, will be his deputy.

SCA said the aim was ultimately to merge the two divisions. However, it declined to give details of projected cost savings.

The Swedish group said the purchase would lift annual net earnings by SKr1 a share. PWA yesterday announced a rise in half-year pre-tax profits from DM104m to DM135m.

The association between the two companies dates to 1995, when SCA paid DM1.2bn for a 60 per cent stake in PWA. This was later increased to 75 per cent.

SCA decided then against an offer for all outstanding shares, saying it wanted to maintain PWA's German profile and access to capital.

The change of tack will allow SCA to extend co-ordination in its hygiene operations, which are subject to increasing competition from other European producers.

PWA's tissue business and Mölnlycke's fluff products – including nappies and feminine hygiene products – have annual sales of about SKr26bn.

PWA's outstanding shareholders – chiefly of small investors – will be offered DM335 a share, a DM23 premium to PWA's closing price on Wednesday. This compares with the 1995 acquisition price of DM289 a share.

SCA's most-traded B shares slipped SKr3.50 yesterday to SKr193.

One-offs behind UPM's 70% jump

By Our Financial Staff

UPM-Kymmene, Europe's largest pulp and paper group, yesterday wrapped up the Nordic reporting season with a 70 per cent rise in first-half pre-tax profits to FM3.53bn ($643m).

A FM2.12bn capital gain this time compares with FM230m last time. The extraordinary items are shown in the operating result – FM4.43bn compared with FM3.2bn.

Stripping out these factors, profits were down slightly, although there was a "significant increase in the volume of sales", the company said. Sales by value were ahead from FM26.17bn to FM26.42bn. Analysts had forecast pre-tax profits of FM3.15bn to FM3.54bn.

Excluding capital gains, full-year profit was expected to be "about the same as last year", the company said.

The company declined to comment on market speculation that it is discussing acquisitions in North America or Sweden.

● Swedish group MoDo, meanwhile, yesterday posted stronger than expected first-half profits, saying high volumes and low prices were behind a strong rise in the second quarter.

MoDo, the last of Sweden's big forestry companies to report for the six months, made pre-tax profits of SKr917m ($114.9m), against SKr1.66bn a year earlier. The market expected a profit of SKr884m.

Losses at Kia Motors widen to Won37bn

By John Burton
in Seoul

Kia Motors, the troubled South Korean carmaker, said yesterday first-half losses had widened from Won10.3bn a year ago to Won37bn ($41m).

The third-biggest Korean car company, which was placed under temporary bankruptcy protection last month following a credit squeeze, suffered a 27 per cent fall in domestic sales during the first half.

Kia's market share fell from 28 per cent last year to 22 per cent, mainly because of increased competition from Daewoo Motor, which has introduced three new car models within the past year.

However, a 50 per cent increase in exports resulted in an overall sales increase of 12 per cent to Won3,390bn.

Losses widened as Kia was forced to offer price discounts and interest-free consumer financing in the saturated and sluggish domestic market.

Last month it offered a 30 per cent discount to help raise Won400bn cash to meet its debt obligations.

Analysts say that losses for Kia could widen further during the second half. Exports could also slow as overseas dealers become concerned about the group's uncertain future because of its liquidity problems.

There is speculation that creditor banks might sell Kia to one of the country's other carmakers, such as Hyundai, Daewoo or Samsung.

● Daewoo Heavy Industries, South Korea's second-largest shipbuilding and machinery group, reported a 2.5 per cent increase in net profits to Won37.7bn during the first half of this year as sales rose 12 per cent to Won2,840bn.

Orders for crude tankers increased, but price competition with Japanese shipbuilders was behind the sluggish profits performance. Shipbuilding accounts for 31 per cent of the group's sales.

An economic slowdown and the resultant cut in industrial investments affected the heavy machinery division, which generates 40 per cent of sales.

The commercial vehicle division also suffered a sales fall because of tough competition in a stagnant market.

Daewoo estimated that economic recovery in the second half would mean that sales for the full year would reach Won6,000bn.

Economists, however, are warning that an upturn may be delayed.

Shares in Daewoo Heavy, which is also Korea's second largest listed company, fell yesterday by Won180 to Won7,750.

Kepco tumbles 67% as currency weakness bites

Korea Electric (Kepco), South Korea's state-owned electricity monopoly, yesterday reported an unexpected 67 per cent drop in first-half net earnings from Won333.5bn to Won110.5bn ($124m), writes John Burton.

The decline was blamed on the fall of the Korean currency against the US dollar. This increased foreign exchange losses on its overseas debt, which accounts for nearly 60 per cent of borrowings.

The weak currency also increased the cost of raw material imports, including liquefied natural gas needed to fuel its power plants.

High domestic interest rates added to Kepco's financial burden. Its exposure to domestic debt has increased because of a government-imposed ceiling on foreign borrowing. Kepco has been borrowing heavily to finance an expansion of power facilities.

● Korean Air (KAL) saw first-half losses narrow from Won253.8bn to Won134.bn after South Korea's largest airline extended the period of depreciation on fixed assets. Sales rose 14 per cent to Won1,950bn. KAL had previously adopted an aggressive depreciation policy.

Earnings were depressed by foreign exchange losses on its overseas debt, which account for 80 per cent of total borrowings.

Analysts believe second-half earnings could suffer as passengers switch airlines in reaction to the crash of a KAL jet on Guam, which killed 255.

INTERNATIONAL NEWS DIGEST

Fears over Swiss merger

Shares of Credit Suisse Group have fallen by more than 10 per cent since it announced its SFr14.3bn ($9.48bn) all-paper bid for Winterthur, the Swiss insurer on Monday. There are fears that not enough of Winterthur's 30,000 shareholders will back the proposed merger at the extraordinary meeting in three weeks.

Winterthur shares, which closed at SFr1,515 ahead of the bid, fell 3 per cent yesterday to SFr1,372. Credit Suisse shares fell for the fourth day running, closing SFr4 lower at SFr186.25. Based on the share exchange offer of 1 to 7.3, this implies a Winterthur price of SFr1,360. When the bid was announced the exchange ratio equated to SFr1,522 per Winterthur share. The combined market capitalisation of the two companies has fallen by SFr5.8bn to SFr49.6bn since the deal was announced, reflecting worries that Credit Suisse is paying too high a price and the promised benefits are too small.

At least 98 per cent of Winterthur shares have to be offered for exchange to save legal costs and avoid tax implications for private investors. If this quota is not achieved, the amalgamation of the two companies will take place at a reduced exchange ratio. Mr Hans Kaufmann, bank analyst at Bank Julius Baer in Zurich, yesterday issued a sell recommendation on Credit Suisse and said there was a danger that the proposed merger would not be welcomed by enough Winterthur and Credit Suisse shareholders to meet the 98 per cent requirement. Mr Kaufmann estimated that the alternative form of amalgamation could cost an extra SFr400m and have negative tax implications. *William Hall, Zurich*

■ CALENERGY

NYSEG fails to get bid blocked

A Manhattan judge yesterday refused to block CalEnergy, the independent US power company, in its tender offer for 6.5m shares in New York State Electric & Gas (NYSEG), the regulated utility. After a day of testimony, Mr Denny Chin, US district judge, said he would not interfere with the CalEnergy bid which NYSEG had attempted to block in a lawsuit filed on July 30.

CalEnergy's tender offer of $24.50 for a 9.9 per cent stake in NYSEG was set to expire at midnight yesterday. NYSEG, a leading power utility serving rural areas of New York State, is fighting the takeover attempt by CalEnergy, which is based in Omaha, Nebraska. The unsolicited offer, launched last month, also consists a $27.50 bid for all shares. NYSEG's board of directors had rejected the offers, considering them too. CalEnergy has stated it would withdraw the takeover bid, which values NYSEG at $1.9bn, should NYSEG shareholders not tender the necessary shares by today.

Shares of NYSEG were down $1/16 at $25 3/16 in afternoon trading, while CalEnergy shares were unchanged at $35 7/16.
John Labate, New York

■ TRUCKS

Strong demand lifts Navistar

Strong market demand helped Navistar, the largest manufacturer of heavy and medium-sized trucks in the US, to double third-quarter profits at $35m after tax, on sales 14 per cent higher at $1.6bn in the three months to end-July. Profits for the first nine months at the company – which returned to the black in 1994 after years of losses – were $80m, compared with $65m a year ago. Sales in the nine month period rose more modestly to $4.4bn, compared with $4.3bn.

Navistar said yesterday that solid customer demand was prompting it to raise production schedules in the current quarter. Its plant in Springfield, Ohio, will step up heavy truck production from 65 to 80 trucks a day next month, while production on the medium trucks and school bus lines will be raised from 284 to 300 a day. Engine production at the Indianapolis plant will also increase to 933 units at the end of this month, compared with 830 units a day at present.

The third-quarter earnings result came a day after the company announced a tentative agreement with the United Auto Workers union over an extension to its master labour contract. The agreement will run until 2002 and end a year of difficult negotiations. Navistar also announced a separate 10-year deal with Ford, under which the Chicago company would continue to supply diesel engines, including a newly-designed engine.

Shares in Navistar climbed $¼ yesterday, to $22%.
Nikki Tait, Chicago

■ ELECTRICITY

Hongkong Electric jumps 21%

Hongkong Electric, the monopoly electricity supplier on Hong Kong island, yesterday announced net profits of HK$2.09bn (US$270m) for the first half of the year, a 21 per cent increase over the same period in 1996. The sharp increase largely reflected the sale of car-parking spaces at a development controlled by the group's property investment associate. Profits from core business rose 5.9 per cent. Following this year's restructuring of Mr Li Ka-shing's business empire, which brought Hongkong Electric under Hutchison Whampoa and Cheung Kong Infrastructure, the company said it was aggressively pursuing investment opportunities outside Hong Kong.

Turnover during the half year rose from HK$3.36bn to HK$3.59bn, and operating profit climbed from HK$1.86bn to HK$2.04bn. The interim dividend is raised from 45.5 cents per share to 50.5 cents. *John Ridding, Hong Kong*

■ BANKING

Nordbanken falls to SKr2.33bn

Nordbanken, the Swedish bank in which the state continues to hold a controlling interest, reported a decline in first-half net profits from SKr2.75bn last year to SKr2.33bn, reducing return on equity from 27.8 per cent to 26.1 per cent. A fall from SKr685m to SKr35m in realised and unrealised gains from financial operations was the main factor behind the decline. Earnings were also squeezed by net interest income, which fell from SKr5.28bn to SKr4.92bn in spite of a SKr10bn rise in loans to customers to SKr262bn. Profits before loan losses declined from SKr4.8bn to SKr3.21bn. Loan losses were reduced from SKr260m to SKr217m, constituting only 0.14 per cent of lending commitments. Ordinary operating profits fell from SKr3.8bn to SKr3.06bn.
Hilary Barnes, Copenhagen

■ PHARMACEUTICALS

AHP buys ReFacto rights

American Home Products has bought for an undisclosed amount the rights to Pharmacia & Upjohn's ReFacto product, a treatment for haemophilia A. The blood clotting disorder affects around 50,000 people worldwide. Like other recombinant Factor VIII products, which have been available since 1992, it is not made from human plasma. However, ReFacto is also formulated without albumin. "Minimising the risk of viral transmission is key for the haemophilia community," the company said. The US and European market for factor VIII products is estimated at $1bn.

ReFacto is in Phase III trials in the US and Europe, and, provided it receives regulatory approval, is likely to be launched within one to two years.
Tracy Corrigan, New York

Price slump hits Korean chipmakers

By John Burton in Seoul

Samsung Electronics and LG Semicon, South Korea's two leading chipmakers, reported sharp falls in first-half net profits as prices for mainstay 16-megabit memory chips remained depressed.

Samsung, the world's biggest producer of dynamic random access memory (D-Ram) chips, said earnings fell 73 per cent to Won123.2bn ($138m); profits at LG Semicon dropped 88 per cent to Won16bn.

Excess production, mainly by Korean chipmakers, has created a global glut in supplies which sent the average price of a 16-megabit D-Ram tumbling to $7 in the first half, against $30 a year ago.

Analysts believe Samsung's increased telecommunications sales cushioned it from a sharper fall in profits. Its shares yesterday fell Won1,200 to Won73,500.

Turnover rose 2 per cent to Won8,910bn owing to increased sales in other divisions, including telecoms and multimedia products and home appliances, which account for 72 per cent of total revenue.

The rapid expansion of mobile telecom services in Korea, including cellular and personal communication systems, led to a 96 per cent jump in telecoms equipment sales to Won2,050bn.

Samsung is expected to exceed its 1996 earnings of Won164bn as sales of higher-priced new generation 64-megabit D-Rams increase during the second half. It estimated full-year sales would reach Won20,700bn, against Won15,800bn in 1996.

However, analysts remain concerned about net earnings because of increased financial costs associated with its 31 per cent stake in Samsung Motors, which is to begin car production next spring.

LG Semicon, the world's sixth-biggest D-Ram producer, suffered a sharper fall in profits and sales than Samsung as semiconductors account for nearly 90 per cent of its sales. Turnover fell 28 per cent to Won849.3bn.

The company expects 1997 earnings to be similar to last year's Won91.1bn as 16-megabit D-Ram prices stabilise and demand for 64-megabit D-Rams increases. Estimated sales for 1997 are Won2,200bn, against Won2,010bn last year.

● Samsung Display Devices, a leading global producer of cathode ray tubes (CRTs), saw net earnings fall 27 per cent to Won60.8bn as prices fell because of oversupply. Sales climbed 4 per cent to Won1,230bn.

It predicted that year-end sales would increase from Won2,460bn to Won2,600bn as the weak Korean currency led to increased exports.

US retailers beat expectations

By Richard Tomkins in New York

Four big US retailers produced better-than-expected results yesterday – but Lands' End, one of the nation's biggest mail order clothing companies, said orders had declined because of the nationwide strike by United Parcel Service workers.

Lands' End said it was using the United States Postal Service instead of UPS to deliver customers' orders in the US, and most goods were reaching customers' homes within three to five days.

But it acknowledged that fewer customers were calling with orders because of the uncertainty created by the UPS strike.

"It is having effect. How severe it is will depend on how long the strike goes on," the company said.

Growth in overseas operations helped Lands' End report a 12 per cent increase in sales to $220m in the second quarter ending August 1, and net income rose from $3m to $3.4m.

But earnings per share of 11 cents were a cent lower than analysts' forecasts, and the shares slipped $11/16 to $27¾ in early trading.

Meanwhile Kmart, the discount store group that has been suffering acute financial difficulties, reported a fall in net income from $34m to $31m, but its earnings per share of 6 cents were above analysts' forecasts of 4 cents.

Earlier this week Wal-Mart Stores, Kmart's bigger rival, reported a 13 per cent increase in net profits to $795m.

Analysts said an easing of price competition had helped, lifting hopes of a good result from Kmart.

Last month Kmart warned that profits had been hurt by the need to sell surplus stock of women's clothing at marked-down prices.

However, the company said yesterday that other categories performed well.

Woolworth, another big retailer that has been suffering financial difficulties, also reported better-than-expected results yesterday, turning in net profits from continuing operations of $26m, or 19 cents a share, against analysts's forecasts of 18 cents.

However, this small profit showed no improvement over the comparable period's re-stated net profits of $43m from continuing operations as the company continued its struggle to turn itself around.

Last month Woolworth said it was closing all its general merchandise stores in the US.

Saks, the holding company for the Saks Fifth Avenue department store chain, reported a pro forma net loss of $8.6m, or 13 cents a share, an improvement over the comparable period's loss of $11.9m and better than the loss of 14 cents a share expected by analysts.

Gap, the clothing store chain, reported a 6 per cent increase in net profits to $69.5m, but earnings per share rose by 13 per cent to 26 cents because of the company's share repurchase programme. Analysts had predicted earnings per share of 24 cents.

Saks, owner of the Saks Fifth Avenue department store chain, bettered analysts' forecasts by cutting its losses — Glyn Genin

Cali Realty in $1.2bn office buy

By John Authers in New York

Shares in Cali Realty, the New Jersey-based real estate investment trust, gained 5.6 per cent in early trading yesterday on the the news that it was to pay $1.2bn for 55 office properties which are currently privately held.

Cali said the deal was the largest "private-to-public" transfer of real estate assets yet undertaken, and that it confirmed the growing importance of real estate investment trusts (Reits) as the preferred vehicle for property developers.

The deal will see the assets of the New Jersey-based Mack Company and Texas-based Patriot American – both private real-estate concerns currently managed by Mr William Mack and his family – incorporated into the Reit, which will be renamed Mack-Cali Realty.

It continues a marked trend for private property developers to convert their holdings into Reits to take advantage of extra liquidity and relatively cheap financing available from the equity market.

Cali will pay $476m in cash for the properties and will also assume $302m of mortgage debt.

However, the deal, which is described as a "merger" of the private and public companies, is complex and takes advantage of Cali's unusual capital structure.

Cali has also agreed to issue 3.9m operating units – broadly equivalent to non-voting shares – and $250m in preferred operating units, which pay a 6.75 per cent distribution and are convertible into 7.2m common operating units.

It will also issue warrants to purchase 2m shares of the company's stock at $37.80 – almost exactly in line with the $37¾ it had reached by midday yesterday.

The Mack family will have a total stake of 18 per cent in the merged entity, worth about $400m.

Mr Mack becomes chairman, while Mr Thomas Rizk, Cali's chief executive, will retain that position in the new company.

Several other prominent property developers have opted to convert their holdings into Reits in recent months.

Early last month, the initial public offering of Equity Office Properties, a vehicle for Mr Sam Zell, the Chicago-based developer, saw the share price gain 23 per cent on the first day of trading, valuing the company at $4bn and Mr Zell's personal stake at $380m.

In June, Mr Mort Zuckerman, another of the best-known US real estate investors, had raised $900m by selling 70 per cent of his vehicle Boston Properties in another public offering.

● The automotive components business of Rockwell International, due to be spun off from its parent company on October 1, said yesterday it will trade under the name of Meritor Automotive, writes Tracy Corrigan in New York.

Its new logo is a winged bull in flight and the company's new name will be followed by the tag-line "A heritage of Rockwell Technology".

Canadian Pacific in Italian purchase

By Scott Morrison in Vancouver

Canadian Pacific, the transportation and energy conglomerate, has agreed to acquire the container shipping business of Contship Holdings of Italy.

The transaction will double CP's shipping revenue to more than C$2bn (US$1.4bn) a year. Terms of the deal were not disclosed.

The acquisition is part of a growing trend of consolidation in the global shipping industry and CP's push to compete with the largest operators.

A larger fleet will enable the Canadian company to expand its presence beyond the Atlantic market, where it is already the largest container shipper.

"Our goal with this transaction is to build a new platform from which we can grow beyond our transatlantic base," said Mr Ray Miles, president of CP Ships.

CP Ships, already the largest container shipping company in North America, will acquire 19 Contship Containerlines vessels and virtually all of its international operations.

Contships' Italian facilities were not included in the deal, which is expected to close in September.

Analysts praised CP Ships' acquisition of a profitable operator that will help it diversify geographically.

Contship, founded in 1968 to operate container services in the Mediterranean, has developed into a significant group with worldwide liner shipping, terminal and diversified container handling interests. With seven shipping lines serving 28 countries in Europe, Asia and Latin America, it carried 270,000 twenty-foot equivalent units (TEUs) last year and reported revenues of US$460m.

CP said Contship expects to increase its volume to 300,000 TEUs this year. With Contship's business, CP Ships expects to increase its container shipments to more than 1m TEUs per year.

The Canadian group last month spent C$34m to acquire Lykes Bros. Steamship, a Florida company that will give the shipper greater access to ports on the US eastern seaboard and in the Gulf of Mexico.

CP said Contship's headquarters will remain in Ipswich and continue to operate as a separate company under its current management.

The new acquisition will operate as part of CP Ships, which includes several divisions.

Lend Lease posts 15% advance

By Elizabeth Robinson in Sydney

Lend Lease, the Australian financial services group, forecast further growth this year after reporting a 15 per cent rise in profits for the year to end-June.

Mr David Higgins, managing director, said the company had "an excellent year" as net profits rose from A$280m to a record A$322m (US$239m), at the top end of expectations.

Strong gains in the fund management and equity investment divisions meant Lend Lease was "now set up to grow and prosper and compete in an international marketplace", Mr Higgins said. He also hinted at further acquisitions.

The shares jumped 64 cents on the news before slipping back to close 20 cents higher at A$28.96.

The largest division, fund management and life assurance, lifted net profits 10 per cent to A$167.6m on sales of A$2.8bn compared with A$2.6bn. Mr Higgins expected to sustain this level of growth, given favourable market conditions.

Funds under management rose 16 per cent to A$25bn, helping to double funds managed by the whole group to A$67bn.

Equity investments, the second-biggest division, lifted net profits 42 per cent to A$105.5m after gains from selling down its holdings in Westpac and Hoyts. Mr Higgins would not say if Lend Lease planned to reduce further its 5.6 per cent stake in Westpac.

The property investment arm made after-tax profits of A$21m, compared with A$18m the year before. The result included a three-week A$3m contribution from Equitable Real Estate, the largest manager of investment property in the US, which Lend Lease bought for US$451m in June.

Mr Higgins did not rule out further purchases. "We could acquire companies similar to ERE in Europe," he said. "Our main exercise is to bed down our US operations, but we'll certainly be looking out."

Forward construction projects reached a record A$2.3bn in June, against A$1.9bn last year. Profits from these, which include the Qantas domestic terminal at Sydney airport, will be released over the next two to five years.

The group continued its drive into Asia, winning projects worth more than A$266m.

Earnings per share rose to 128.9 cents, compared with 117.1 cents last year.

The final dividend of 50 cents brings the total for the year to 98 cents, up from 90 cents.

NEC to launch recordable disc to rival DVD

By Michiyo Nakamoto in Tokyo

The battle to set the standard in the market for next-generation recordable discs looks set to intensify further as NEC, Japan's largest PC maker, has unveiled plans to launch an optical disc next year.

It will have twice the recording capacity of the DVD rewritable discs being launched by an industry consortium at the end of this year.

NEC said it planned to sell in 1998 an optical disc with recording capacity of 5.6 gigabytes, or two hours of video. This compares with the one-hour capacity of DVD-Ram rewritable discs developed by the DVD Consortium of electronics and entertainment companies.

NEC's disc, which it calls a multimedia video file, would compete directly with DVD-Ram, since both are expected to replace floppy discs and CD-Roms for PCs, as well as video cassette tapes.

Meanwhile, Sony and Philips have broken ranks with a consortium of 11 electronics and computing companies working on DVD development and joined with Hewlett-Packard, one of the largest US computer equipment makers.

They intend to adopt a different format for an advanced recordable disc, which they plan to market for PCs next year. Sony is also developing a high-capacity optical disc aimed at replacing video cassettes in the next decade.

The growing number of competing formats as companies vie to set the standard for next-generation discs is likely to confuse consumers and delay wide acceptance of next-generation recordable media.

Although attempts were made to agree a common format, differences over technology and how markets would develop have undermined efforts at industry-wide co-operation.

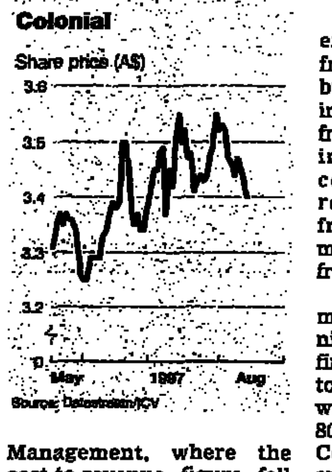
Sony is developing different discs for the PC and home-entertainment markets, whereas the DVD and NEC's new discs will target both markets.

Analysts believe differences over royalty payments were a big obstacle to a common format. NEC said its disc would incorporate software that prevents duplicates being made, which should ease concerns over film copyright. To appease Hollywood, supporters of DVD-Ram agreed to restrict recording time to one hour – not enough to record a feature-length film.

NEC is seeking support for its format from other companies. One advantage is that its MMVF discs could take a substantial share of the Japanese market for PC discs if NEC, the leading maker of PCs in Japan, installs the disc drives in its PCs.

Colonial set to meet forecasts

By Elizabeth Robinson



Colonial, the Australian financial services group that listed in May, is on course to meet, if not exceed, forecasts of full-year profits of A$180m (US$134m), according to Mr Peter Smedley, chief executive.

With all operations growing ahead of budget, first-half net profits of A$118m were 65 per cent of the full-year forecast made in the listing prospectus, he said.

Profits in last year's first half, when Colonial was still a mutual, were A$120m on a pro-forma restated basis. Funds held under management in the six months rose 13 per cent to A$43.3bn after strong growth from the company's listed property trusts.

The results were also helped by lower costs, especially at Colonial Investment Management, where the cost-to-revenue figure fell from 81.3 per cent to 64.5 per cent.

The group said it was also benefiting from a A$532m information technology deal with Alltel, announced in March.

In the UK the company is extending its insurance franchising pilot after new business rose 20-30 per cent in the first six months. The franchising scheme, the first in the UK, involves converting appointed representatives into franchises supported by marketing and direction from Colonial.

Mr Rob Garnsworthy, managing director of Colonial UK, said he expected the first five franchises to grow to 40 by the end of the year, with an eventual target of 80-100 franchised offices. Colonial's existing UK operations employ 1,000 with £3.8bn (US$6bn) under management.

Mr Garnsworthy said the objective was to lift standards throughout Colonial's network. The group franchised its insurance operations in Australia three years ago and, through the former State Bank of New South Wales, is franchising its banking activities.

It aims to turn these into operations providing one-stop banking, insurance and fund-management services.

Mr Smedley also announced yesterday that Colonial's CMG Asia Life division would launch a Bt1bn (US$32m) issue to meet Thai government requirements that all new insurance companies in the country have a minimum capital base of Bt500m. The remaining funds would be used for working capital, said Mr Smedley.

CMG Asia, the former joint venture with Jardine, of Hong Kong, which Colonial took full control of in February, contributed A$26m to earnings.

Greenspan goes on the attack over derivatives

Plans to change US accounting rules are proving controversial

Few people's words are more closely studied than those of Mr Alan Greenspan, chairman of the US Federal Reserve. The central banker's intervention in the debate over how to account for derivatives is being closely watched, both in the US and by financial reporting regulators around the world.

His recent letter to the US Financial Accounting Standards Board amounts to an uncompromising attack on its plans for a new standard, requiring companies to show derivatives at market value on the balance sheet and pass any gains and losses through earnings.

This new system, while allowing changes in the value of some derivatives used in hedging to be deferred, would strictly define which derivatives qualify for this special treatment – limiting companies' flexibility and room for financial manoeuvre.

Putting forward this plan is Mr Ed Jenkins, chairman of the FASB, who marked his first month in the job by trying to get a binding accounting standard in operation by January 1 1999.

Mr Jenkins must have expected the furore that followed – with several banks pressing him to put the plan out for further consultation. Mr Greenspan's critique is comprehensive. He complains that:

● Mr Jenkins' approach is piecemeal, as it tackles only derivatives, not all financial instruments.

● The plan would increase "volatility" in income and equity: unhedged derivatives would swing in value from one set of accounts to the next.

● The proposals "may discourage prudent risk management" by hindering the perfectly proper use of derivatives.

● Marking to market would require significant systems changes for businesses that use derivatives as hedges.

● Such an approach would be unlikely to find favour internationally.

Mr Greenspan does not stop there. While he sees the long-term benefits of a comprehensive fair values framework for accounting, he thinks the theory is far ahead of the practice. In the interim, he proposes an alternative. The present historical cost-based framework would be kept for derivatives in the primary financial statements. Meanwhile, a "supplemental" statement would show derivatives – and the items they hedge – at market value.

FASB will see this partly as an attempt to derail long overdue reforms with arguments that had been heard during consultations. Earlier this week, Mr Jenkins retaliated by letter ahead of meetings planned with Fed officials. He answers Mr Greenspan's five criticisms:

● The present system of accounting is also piecemeal and the new proposals are a step towards fair value accounting for all financial instruments.

● The proposals would not create volatility; but current practices obscure the reality of existing volatility.

● The plans would not discourage prudent risk management. The idea is to give investors the data to evaluate the prudence of management for themselves.

● There would be enough time for companies to get information technology systems changed.

● The plan would gain international acceptance.

The FASB plans a new standard requiring companies to show derivatives at market value on the balance sheet and pass any gains and losses through earnings

There is a widespread belief that if FASB succeeds in getting its standard through, the International Accounting Standards Committee will follow suit. Countries including Japan also seem to be moving in the same direction.

Mr Jenkins then turns to Mr Greenspan's alternative system. "The point on which we appear to differ is whether information about fair values of derivative instruments should be reported in the financial statements themselves or in the notes to the financial statements at this time," he writes, arguing investors do not take much notice of "supplemental" statements.

He notes that Mr Greenspan is only proposing a "fair value balance sheet" without a supplemental income statement. So there would not be competing earnings figures – just the one based on historical costs.

Mr Jenkins' hand has been strengthened by the immediate support of the Securities and Exchange Commission. It issued a statement from Mr Michael Sutton, chief accountant, as the FASB's letter was published. "The current accounting model for derivatives – which often means no accounting at all – is unacceptable," he said.

"For years the board has engaged in a public dialogue, ensuring that all points of view are heard and thoughtfully considered. Further delays in the process are unwarranted and put investors at risk.

"Fortunately, a strong economy and calm, favourable markets have been the backdrop for the derivatives debate thus far. If that changes, investors could be surprised and at risk because financial reporting has failed to provide the transparency that our markets need and demand."

A battle between the Fed and the SEC could paralyse progress in the short term. And if Congress became involved, there could be a bruising confrontation.

But the odds seem to be slightly in Mr Jenkins' favour. He intends to publish a final draft around the end of this month, with comments to follow in the next 45 days. Some changes may be made, but FASB has set itself against wholesale revision. For it, the die is cast.

Jim Kelly

As negotiations with Chiquita end the UK group indicates a further review and share buy-back

Albert Fisher breaks off takeover talks

By Maggie Urry

Takeover talks between Albert Fisher, the produce and seafood group, and a bidder believed to be Chiquita Brands, the US banana company, have broken off.

However, Fisher promised a new strategy, a maintained dividend and a share buy-back which would "significantly" enhance earnings.

Fisher shares closed down 4½p at 38¾p, yesterday, after touching 35p. When the bid talks were revealed in mid-June the shares jumped from 34½p to 46¼p, but have drifted lower since as hopes of a firm offer faded.

Mr Stephen Walls, chairman of Fisher, said: "Number one: we broke off the talks." He said the board had decided any likely offer would be too low, and not in a form acceptable to shareholders. It is thought that heavily-indebted Chiquita was aiming to finance the offer in part through issuing shares.

Mr Walls said the approach had let "the genie out of the bottle" and "just going back to the story as it was would not have been well received by shareholders".

Although he has substantially restructured the group since taking command in 1992, and said in April that the restructuring was over, he foreshadowed a further review of the business. He said the old strategy would have delivered value in the medium to longer term, but Fisher now had a greater emphasis on the short term.

He said Fisher would next week announce that one of its divisions – understood to be the seafood business – was up for sale. An approach was made for part of the group during the bid talks, but Fisher planned to seek better offers.

The proceeds, which are hoped to exceed a broker estimate of the division's value of £86m ($140m) would be used to strengthen the balance sheet and buy back perhaps 25 per cent of the group's shares.

Meanwhile, Fisher said results for the year to August 31 would be "broadly in line with last year" when pre-tax profits were £40.1m before exceptional costs. The final dividend of 1.9p would be maintained.

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Compass expands fast in every direction

However, the group's pace of growth is worrying the City, writes **David Blackwell**

Women in neat hairnets spread fat dollops of pimento cheese as slices of bread slide past them on a sandwich production line in Charlotte, North Carolina. The packs will be sold alongside Hershey chocolate bars and cans of Coca-Cola in vending machines across both the Carolina states.

In Manhattan a chef with top qualifications supervises a kitchen that has already served breakfast to almost 2,000 early arrivals at a large investment bank. The same chef will later be serving lunch for the executives, offering a choice of six entrées, including Frogs Legs à la Nicoise.

These are the opposite poles of the same business: feeding the workers. Compass, which says it is the world's biggest contract caterer, has come from nowhere to be a leading force in the US market in just over three years.

Acquisitions have taken the UK-based company into almost every state and built US revenues to an estimated £1.2bn ($1.95bn) this year – a third of the group total. But the continuing pace of expansion, culminating in May with Daka in the US for £120m and SHRM of France for £227m, has prompted concerns in the City, taking the shine off the shares' steep climb from just over 200p five years ago to a peak of 735p in February.

Between 1992 and the beginning of this year the shares outperformed the FTSE All-Share index by 92 per cent. But they have retreated, closing down 7¼p at 640p yesterday.

Mr Mike Bailey, who runs Compass's US division, spends most of each week travelling across the states to control the expanding empire. A Londoner who left school at 16 to become a trainee chef, Mr Bailey joined Compass in 1991 from its rival Gardener Merchant, now part of the French Sodexho group. He had run its North American catering operations for six years.

One of his big competitors at the time was Canteen, owned by Nasdaq-listed Flagstar, itself 67 per cent owned by Kohlberg Kravis Roberts, the Wall Street buy-out specialist. Flagstar, saddled with debt of more than $2bn, approached Compass through its bankers in 1994 as a possible buyer for Canteen.

"It was the right time to buy – it was a reasonable size, well established and not running at peak performance," recalls Mr Bailey. An added attraction was the prospect of a tax break – the $450m of goodwill is being written off at $30m a year for 15 years. This cut the group's tax rate from 33 to 26 per cent in the first year.

A small museum at the Compass's US headquarters in Charlotte, has a collection of historic vending machines dating back to Canteen's foundation in 1929. Awareness of the brand name is high – but for vending machines not catering.

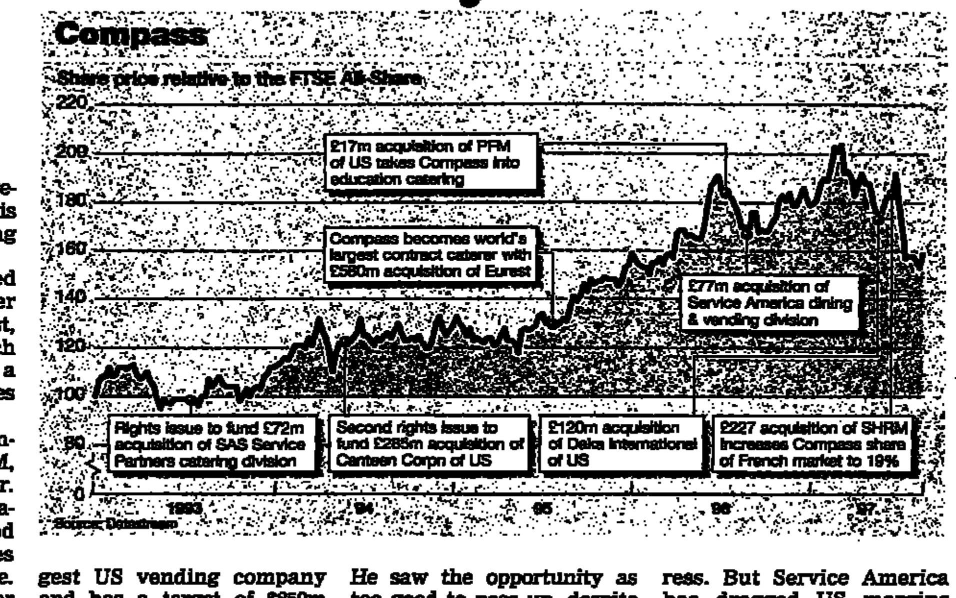
Compass has rebranded contract catering under Eurest International. Eurest, bought from the French group Accor in 1995 in a £580m deal, already operates in 38 other countries.

The biggest Eurest contract in the US is with IBM, with sales of $62m a year. But the contract is international, providing a good example of the synergies Compass plans to generate. IBM business in 12 other countries accounts for a further $38m of sales.

Corporate American catering is more than 80 per cent contracted out, compared with 35 per cent for the education sector and 30 per cent for healthcare. The acquisition of Daka brought in a further $210m of education business, enabling the group to compete with market leaders Marriott, Aramark and Sodexho in the $22bn US education market.

But the group lacks scale in healthcare, and further acquisitions have not been ruled out. "If the right opportunity presents itself with healthcare we would look at it – but there is nothing on the stocks at the moment," said Mr Bailey.

The vending business itself is seen as a main profit centre. Canteen is the biggest US vending company and has a target of $850m annual sales, or about 40 per cent of total US revenues.



Mr Bailey points out that this revenue is all arriving in nickels and dimes, and represents a huge logistical operation run from 150 depots across the country.

By setting up central kitchens at the depots to make sandwiches and other food items such as salads, Canteen is able to offer a service to the many US industries with 200 or so employees on site where it would not be economic to set up a staff canteen. A year ago the group paid $119.2m for Service America, which took it to twice the size of its nearest competitor in US vending. Mr Bailey says the deal was similar to the Canteen purchase – Service America was a failed MBO, in debt and losing money.

He saw the opportunity as too good to pass up, despite criticisms of the pace of acquisition.

The group also hopes to find synergies through the investment. It plans to build on its growing buying power with multinationals such as Coca-Cola. It wants to cut costs by building international brands catering for different market sectors. In vending, for example, it is planning to take a stake of more than 20 per cent in Selecta, the largest vending operation in Europe and part of Valora of Switzerland.

Under such heavy expansion in the US, margins have inevitably suffered. Canteen was making margins of 5.5 per cent in 1989, but this had fallen to 3 per cent by the time of the acquisition. From the start, the group pledged to restore the level and had been making steady progress. But Service America has dragged US margins back to about 3.5 per cent.

"We will have the business running at 5.5 per cent margins – there is no doubt about that in my mind," said Mr Bailey. "It could be 18 months or two years away but we will get there."

The group as a whole is now starting to run by product line instead of geography, with Canteen for vending, Eurest for business and industry catering, Bateman for healthcare, and Chartwells for education. But branding and segmentation takes time, and the pace of acquisition has not allowed a clear picture of the group to emerge.

Add currency fears and the fact that Accor of France still holds 10 per cent of the shares, and it is not surprising that the market decided to slim down the share price.

NEWS DIGEST

WPP rises 15% despite sterling

Mr Martin Sorrell, chief executive of WPP, appeared yesterday to be on course for another large bonus, as the world's largest marketing services group came in with interim profits at the top end of forecasts despite the strength of the pound.

The shares eased 3½p to close at 270p, as profit-taking emerged after a good run since June. However, under a five-year share-based incentive plan, Mr Sorrell stands to receive £3m of shares if the price stays above 265p for 60 days this year.

The group, which includes the J Walter Thompson and Ogilvy & Mather agencies, lifted interim profits by £10m, or 15 per cent, to £78.3m ($127.6m). The strength of sterling held sales – 80 per cent of which are made overseas – at £3.44bn for the six months to June 30.

At constant currency rates, underlying sales growth was about 8 per cent. Operating profits were 10 per cent higher and would have risen twice that amount at constant currency rates.

During the period, the group added GTE, the US telecommunications group, to its customer base and extended contracts with Ford, Shell, Kodak and Kellogg.
David Blackwell

Former chancellor joins F&C

Mr Kenneth Clarke, the former chancellor of the exchequer, has accepted his first directorship – at Foreign & Colonial Investment Trust – since he lost the post-election fight to lead the Conservative party.

F&C, the oldest and biggest general investment trust, announced yesterday that Mr Clarke had been appointed to its board. He will be paid £18,000 a year, in line with F&C's standard rate of remuneration for non-executive directors.

F&C lifted its assets past the £2bn mark in the first half of this year. The 16 per cent increase to £2.05bn was almost double the 8.5 per cent increase in the FTSE All-Share index during the same period. *Jean Eaglesham*

'Time-bomb' lifts Micro Focus

Demand for solutions to the millennium "time-bomb", which could cause millions of computers around the world to crash in 2000, helped Micro Focus, the computer services group, to move into the black in the first half.

The group turned losses of £9.46m into pre-tax profits of £5.17m, with sales rising 21 per cent to £41.3m for the six months to July 31.

Millennium-related business accounted for about 15 per cent of revenues.

The company has developed a range of products to identify and check lines of data within a computer, reducing the amount of time it takes for a technician to solve the problem of the system being unable to recognise the 2000 date.

Glynwed expands in US

Harrington Industrial Plastics, a subsidiary of Glynwed International, is to pay $23.7m for Industrial Plastics Technology, which distributes pipes and fittings throughout the eastern states, as part of its strategy of expanding in the US. Some $16.5m is being paid in cash immediately, with $5.6m deferred for one year and $1.6m for up to 120 days. IPT had turnover of $32.4m and pre-tax profits of $3.44m in 1996.

Construction growth lifts Hanson

By Andrew Taylor, Construction Correspondent

Strong US and UK construction markets lifted operating profits of Hanson, the building materials rump of the former conglomerate, by 9 per cent to £121m ($197m) in the six months to the end of June.

However, exceptional charges of £49.1m, representing a £28m loss on the sale of Hanson Electrical and write-downs on Australian mining investments, reduced pro-forma pre-tax profits to £47.8m on flat sales of £1.14bn. Mr Andrew Dougal, chief executive, said the company had not provided a prior year pre-tax comparison because of the difficulty in accounting for central overheads and interest charges.

Disappointment at the level of exceptionals led the shares, which had risen sharply, to dip 24½p to 304p.

Mr Dougal expressed optimism about the company's future. He saw most of the short-term expansion opportunities coming in the US.

Hanson will be well placed to make bolt-on acquisitions to its Cornerstone aggregates business in the US if it succeeds in selling the Grove Worldwide cranes business, expected to command a price of about £400m. Goldman Sachs, the company's adviser, was in touch with "more than one interested party," said Mr Dougal.

Cornerstone increased operating profits by 12 per cent to $37.5m.

ARC, the UK's second largest aggregates producer behind Tarmac, increased operating profits by 6 per cent to £45.4m (£42.8m).

The company remained concerned about the threat of further cuts in government road spending, but said falls in this sector had been offset by increased housebuilding and commercial property development.

UK brick profits rose by almost 25 per cent to £15.1m (£12.1m) helped by higher sales volumes and price rises. Mr Dougal said demand had flattened during June but had picked up.

Desimpel, the group's continental European brick manufacturer, increased profits by almost 4 per cent to £5.6m in spite of a near-19 per cent fall in sales volumes. Mr Dougal said, the division, which expects to cut overheads by £2m this year, had shed a number of jobs.

The strong pound reduced group profits by about £4m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aviva Petroleum $	6 mths to June 30	5.55	(7.41)	14.3L♠	(0.239L♠)	45L	(1L)	-	-	-	-	-
Freepages φ	9 mths to June 30	10.8	(2.64)	8.29L	(7.67L)	1.94L	(-)	-	-	-	-	-
Hanson	6 mths to June 30✠	1,138	(1,141)	47.8♠	(-)	4.9	(-)	4	Oct 24	-	-	-
Jacobs	6 mths to June 30	29.8	(27.7)	1.03♠	(1.75♥)	0.8†	(2)	0.5	Oct 6	0.375	-	1.875
Maid	6 mths to June 30	14	(9.58)	2.01♥	(3.28L)	0.88	(3.68L)	-	-	-	-	-
Mondas φ	Yr to Apr 30	0.057	(-)	0.421L	(-)	10.5L	(-)	-	-	-	-	-
MDIS	6 mths to June 30	54.4	(60.5)	3.91L	(9.21L♠)	3.82L†	(9.39L)	nil	-	nil	-	nil
Media Business	Yr to Apr 30	134	(108)	1.55	(1.22)	0.42†	(0.36)	0.07	Oct 1	0.06	0.105	0.09
Micro Focus	6 mths to July 31	41.3	(34.1)	5.17	(9.46L)	22.7†	(62.2L)	-	-	-	-	-
North Midland	6 mths to June 30	23.1	(15.6)	1.21	(0.543)	7.4	(3.64)	1.5	Sept 19	0.75	-	3
Orange	6 mths to June 30	426.9	(256.5)	73.5L	(125.2L)	6L†	(13L)	-	-	-	-	-
Therapeutic A'bod$	6 mths to June 30	0.823	(0.391)	8.64L	(7.06L)	0.38L†	(0.42L)	-	-	-	-	-
Westminster H'care	Yr to May 31	101.9	(88.1)	11.8♠	(17.6)	17	(23.5)	4	Oct 3	3.65	6.6	6
WPP	6 mths to June 30	3,442	(3,455)	78.3	(68.1)	7	(6)	0.7‡	Nov 24	0.556	-	1.7
Xenova	6 mths to June 30	0.531☐	(0.801☐)	5.94L	(3.15L)	25L†	(25L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
English National	Yr to Mar 31	36.4	(33.17)	0.321	(0.426)	0.77	(1.02)	0.475	Sept 30	0.38	0.475	-
Finsbury Smaller	6 mths to June 30	226.4	(239.7)	0.407	(0.532)	1.8	(2.4)	1	Sept 12	1.3	-	3.6
Foreign & Colonial	6 mths to June 30	195.35	(168.78)	19.9	(19.2)	1.89	(1.83)	0.8	Oct 3	0.7	-	2.28
Kleinwort High Inc	Yr to June 30 ★	105.38	(85.38)	2.96	(2.81)	9.86	(9.38)	3	Oct 2	2.35	10.8	9.2

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. $US currency. φAim stock. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ✠Pro forma. ‡Foreign income dividend. ☐Revenue. ★Comparatives restated.

COMMERCIAL PROPERTY

RECRUITMENT

Schools should teach students the skills needed for a business career, says **Richard Donkin**

Lessons in high performance

A report published last week by the Centre for Research and Employment Technology in Europe (Create) highlights the need to overhaul the UK education system to equip young people with the entrepreneurial skills they will need to pursue a career.*

There were intriguing parallels in the report with findings from a study of Harvard Business School MBA graduates, carried out in the US by John Kotter, the business writer.

Both Kotter and Amin Rajan, who runs Create, believe their respective educational establishments need to be reformed to take account of the changing demands of employers and the disappearance of paternalism and formal career structures in many companies.

Rajan concentrated his study on flexible working because he thought that this would provide the pointers to the most progressive employment regimes. Not only did he find that such practices were taken for granted in many businesses, employers were speaking more of the attitudes they were seeking in employees, outlining a desire for what Rajan calls a "flexible mindset".

The idea, he says, is that employees should be more entrepreneurial in the way they work and that they should approach their job as if they are self-employed. This is because businesses are becoming concerned about individual performance. Job security such as it is, he says, has become dependent on high performance.

In such a relationship, he argues, the employee begins to treat the manager as a customer and the work becomes a product. Qualities such as promotion, negotiation and selling become important in the preparation and discussion of an assignment.

This may explain why so many recruiters focus upon competencies – not just the narrow definition which equates competencies with skills, but that which includes behavioural traits.

While some competencies may be implicit in educational qualifications – precision, understanding, correctness – others, such as innovation, empathy, leadership and interpersonal skills tend to be given far less prominence in the education system.

One reason for this, says Rajan, is that too few educationalists have had any exposure to business. "They still think in terms of neat careers where you become a lawyer or an accountant or a journalist. They haven't cottoned on to the multiple careers which are becoming reality for many people."

There is a close correlation between Rajan's findings and those of Kotter, whose latest book, *The New Rules*, outlines what he argues are essential practices for pursuing a career into the next century.**

Kotter has formulated his ideas from a long-running study tracking the careers of 115 Harvard MBA graduates from the class of 1974. Although most of the class have had successful careers – their net worth averaged $1m each in 1992 – they have not done so without pain. More than one-third of those in the study had been dismissed from a job or had been made redundant at least once.

While most of the graduates had left to join large companies – 21 of the class went to work for Citicorp – they stayed with their first employers no more than three and a half years, on average, before moving on. Many moved to smaller businesses and some set up their own companies. By 1992, the year Kotter last collated statistics for the book, the proportion in large- and medium-sized companies had shrunk from 71 per cent to 38 per cent. The rest were with small employers.

The Harvard Business School graduates may well have been at the forefront of the trend towards seeking jobs with smaller employers. Kotter noticed that even though few small businesses were visible on campus when students were looking for jobs, nearly a third of the graduates chose to go into such companies from the start. Even then, it seems, those icons of capitalism such as General Motors, General Electric, International Business Machines, and Chemical Bank were losing their lustre for those wanting a career in business management.

Kotter believes that the changing economic environment has increased the attractions of small business ventures. He writes: "People who found and grow small organisations are often receiving both more job satisfaction and more income than most of those in traditional large organisations."

Rajan concurs. One of the problems, he says, is that business journalism and shareholder interest tends to concentrate on the biggest companies – those in the Fortune 500 and the FT-SE 100 – which tend to the very companies that have found it difficult to shake off the old paternalistic and bureaucratic career structures.

Some, however, are attempting innovative solutions to increase career fluidity in their companies. Cable & Wireless, for example, has set up what it calls career action centres to help people handle inter-company moves and to encourage a "contract mentality" where people think of their work in terms of a series of projects rather than as a life-long career.

Another trend among the Harvard MBA graduates has been a steadily increasing number who have come to class themselves as entrepreneurs. Some 40 per cent of them were calling themselves entrepreneurs by 1992 and some 70 per cent of the class said they were behaving like entrepreneurs in negotiating business deals or providing leadership to grow business. Kotter points out that the direction of the Harvard MBA courses in the early 70s was to provide the future leaders of big business with the skills needed to consolidate the business set up by an earlier generation of entrepreneurs. Entrepreneurship, he says, simply wasn't promoted.

Like Rajan in the UK, Kotter believes the US educational system needs to wake up to the changing nature of careers and invest greater resources into promoting interpersonal, leadership and teamwork skills. Students must be encouraged also, he says, to develop a competitive drive and desire for lifelong learning.

Implicit in both Rajan's and Kotter's observations are lessons not just for employees but for big companies. If the conventional career is disappearing, as they suggest, big companies must wake up to the implications of this trend for recruitment and employee development. The Harvard students were instinctively drawn to more agile businesses where they could test their ideas. But it might be naive for governments to expect business to embrace such developments alone. Educational reform, therefore, may need to go further than reviewing school and university careers advice.

**Tomorrow's People is published by Create, 2 Holly Hill, Vauxhall Lane, Tunbridge Wells TN4 0XD, price £49.50. A conference is to be held on the policy issues from the report in London on October 8. Tel: 01892-536757 for details.*

***The New Rules, eight business breakthroughs to career success in the 21st century, by John P Kotter, Simon & Schuster, price £9.99.*

E-mail: Richard. Donkin @FT.com

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A Masters or equivalent from a reputable establishment is required as is another European language.

Please write with your CV to Alastair Lyon, ref: 1045, Confidential Reply Handling Service, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

Applications will only be forwarded to this client. However, please indicate any organisation to whom your details should not be sent.

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HR MARKETING & COMMUNICATIONS

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If you are interested, please forward your application to Mrs J. Klauser, who will treat it with complete confidence.

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Send full personal and career details to
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Corporate & Project Finance

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Applications for the Director position shall be sent to Ms. Mariana Davidson, Vattenfall AB/O, 162 87 Stockholm, before September 1, 1997. Applications for the Analyst position shall be sent to Mr. Ulf Alfredsson, Vattenfall Support, 162 87 Stockholm, before September 1, 1997.

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HR MARKETING & COMMUNICATIONS

ADMINISTRATION, DOCUMENTATION AND OPERATIONS

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London

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If you are interested in this opportunity, please contact **Maurits A.N.M. Claassen** on **(+3120) 6444 655**, or alternatively send your Curriculum Vitae to the following address: **Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands. Fax: (+3120) 6429 005.**

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The Appointee

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Interested applicants should send their curriculum vitae to Dean Ball, Regional Manager, Michael Page Finance, 4th Floor, Clarendon House, 81 Mosley Street, Manchester M2 3LQ or fax a copy to 0161 236 6961 quoting reference 361323.

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- Manage budgeting, forecasting and audit processes. Provide support for ad hoc projects.

QUALIFICATIONS

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Please send full cv, stating salary, ref SL708A1, to NBS, 7 Shaftesbury Court, Chalvey Park, Slough SL1 2ER
Responses will be forwarded direct to our client. Please indicate any companies to which you do not wish your details to be given.
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Dun & Bradstreet

Successful candidates will be capable individuals with previous experience of financial systems implementation and project management. Ideally an accountant or from a finance background, you must have at least two years experience of Oracle Financials version 10.5 or above and be willing to train end users. This is a high travel role which demands commitment, the ability to work effectively in a multi-disciplinary team to tight deadlines, and outstanding oral and written communication skills. Possession of a second European language would be an advantage.

For further information, please contact Ed Groombridge (quoting FT0123) on 01753 621866. Alternatively, send/fax your CV to FSS Financial, 4a High Street, Windsor, Berkshire, SL4 [illegible] Fax: 01753 621877, e-mail: eg@fss.co.uk

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Financial Times

IT Appointments

INTERNATIONAL CAPITAL MARKETS

German bunds claw back losses

GOVERNMENT BONDS

By Krishna Guha in London and John Labate in New York

Bond markets in Europe and the US regained their balance after a turbulent Wednesday, put down to "August silliness". Buying on weakness clawed back much of the previous day's losses.

GERMAN BUNDS performed best, reversing Wednesday's sell-off. The September futures contract settled on Liffe up 42 at 102.33 after a late surge, which continued in after-hours trading. Benchmark 10-year bunds stabilised at about 74 basis points under US Treasuries.

Some analysts expressed "an immense degree of puzzlement" as to why the short end had been subject to such a sharp sell-off on the previous day, after rumours of Emu delay compounded poor CPI figures – which the market had at first greeted with equanimity.

"We saw people buying back," said Mr Mark Fox, chief European strategist at Lehman Brothers.

Others said investors were "still quite nervous" about German repo rates. "In a worst-case scenario German CPI could hit 2.3 per cent – significantly above the Bundesbank's implied target of 1.5 to 2 per cent," said Mr Hans Redeker, senior economist at Chase Manhattan.

ITALIAN BONDS continued to suffer from Emu and German interest rate fears, achieving only a partial recovery. The September futures contract settled up 23 at 135.46. The 10-year spread over bunds stuck at 102 basis points.

Analysts said Italy was "more vulnerable to an interest hike in core Europe than core Europe itself." The threat of a repo rise closed the "window of opportunity" for Italy to cut interest rates, which in turn increased the burden of short-term debt.

UK GILTS rose on Treasury strength, recovering Wednesday losses. The futures contract settled up $\frac{7}{16}$ at $114\frac{25}{32}$. Analysts said gilts were "good value" but gains are still restricted by high short-term rates.

US TREASURIES moved higher in thin morning trading on the release of new figures on consumer prices and industrial production.

By early afternoon the benchmark 30-year bond had risen ¾ to 97¼, taking the yield down to 6.562 per cent. The reports also boosted shorter-term issues. The 10-year note gained ½ to $98\frac{22}{32}$, yielding 6.265 per cent and the two-year note rose $\frac{1}{16}$ to 100, yielding 5.873 per cent.

"Consumer inflation continues to slow," said Mr Joseph Liro, economist at CIBC Wood Gundy Securities in New York. For July the consumer price index rose 0.2 per cent, and for the last 12 months prices have increased 2.2 per cent.

In a separate report, industrial production was shown up 0.2 per cent in July. "These were on consensus results and the data were absorbed quickly," said Mr Patrick Dimick, Treasury market analyst at UBS Securities.

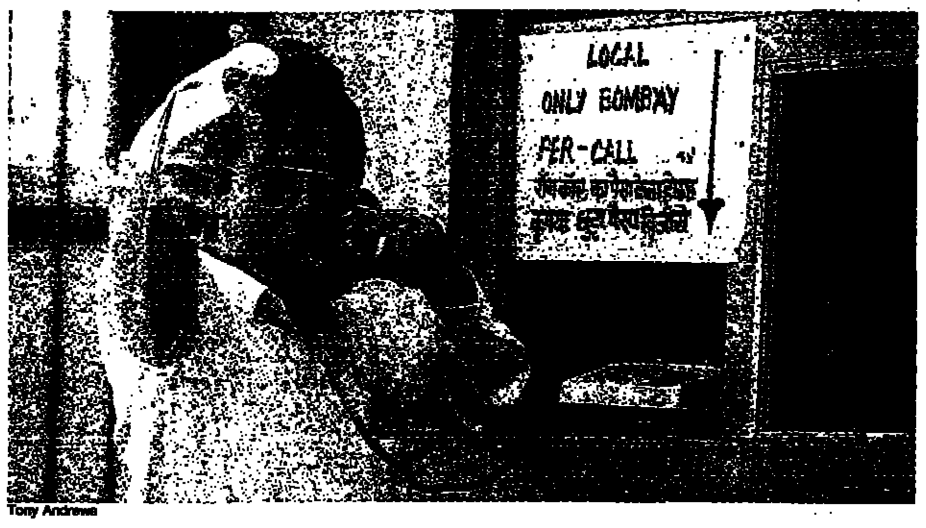
'Jewels' of India sale regains momentum

India this week moved to kick-start its privatisation programme by naming the lead managers to co-ordinate international equity offerings for two flagship state-owned companies.

The Global Depositary Receipt issue by Mahanagar Telephone Nigam (MTNL), a local telecoms operator in Bombay and Delhi, will be worth about $800m – the biggest in India's history.

A separate GDR issue by the Gas Authority of India (GAIL), which supplies most of the country's natural gas, is also likely to break the previous record for Indian GDRs – at about $550m.

The appointments mark a new burst of momentum for India's sell-off programme, which like other aspects of the country's reform process, frequently stalls. Earlier this year the government sold $527m of GDRs issued by state-owned Videsh Sanchar Nigam (VSNL), the international telecoms operator. The issue was 10 times oversubscribed. Last October, the State Bank of India issued $370m in GDRs.



Tony Andrews

New number: telecom operator MTNL will make history with its $800m GDR issue

The MTNL and GAIL issues were widely expected to follow close on the heels of March's VSNL issue. They did not. But the programme has now spluttered back to life, driven by financial necessity and capitalising on a respite from political strife.

Bankers bidding for the mandates, meanwhile, have been urging the government to push ahead while conditions in the global equity markets are favourable.

India needs to raise Rs48bn ($1.3bn) from asset sales during the current financial year to plug holes in its fiscal deficit. The government's policy is to sell stakes in the "nine jewels" – flagship state owned companies – to overseas investors, while retaining majority control.

Bankers close to the MTNL and GAIL deals say the state disinvestment committee succeeded in preserving a coherent plan. "Hats off to them," says one banker. "They have achieved the de-linking of disinvestment and politics."

The committee advised the government to cut its MTNL stake to about 51 per cent, and to about 70 per cent in GAIL primarily through the GDR issues.

Many foreign investors are still reluctant to hold Indian shares, citing problems with settlement and regulatory approval.

London is the traditional destination for Indian companies seeking international capital. GDR issues, moreover, require less onerous compliance and disclosure than ADRs. The GDRs will also be offered in the US through 144a issues.

Further GDR issues are planned. The government last month announced it intended to sell part of its stake in Indian Oil and Container Corporation of India, probably in early 1998.

The challenge now is to place the GDRs. This is not a *fait accompli* – the size of the MTNL and GAIL issues is equivalent to about two-thirds of India's annual inflow of portfolio investment. Some investors believe that one of the two may have to be postponed until next year.

India has appointed six heavyweight investment banks to carry out the task. Goldman Sachs, HSBC and DSP-Merrill Lynch are joint book for MTNL. Morgan Stanley, BZW and Robert Fleming/Jardine Fleming will run the book for GAIL.

Mr Shaun Browne, chief executive of HSBC Investment Banking in New Delhi, says the "mood in the market is in favour of big liquid blue chip stocks. Both MTNL and GAIL fit the bill."

Other bankers close to the issues say the danger of congestion is limited as each operates in different sectors, both attracting specialist global industry investors.

Investors agree the timing of the issues is crucial. Mr Sam Mahtani, joint manager of Foreign and Colonial's India fund, says there is "enormous appetite for India".

The programme may also crowd out GDR issuance by India's private sector companies. In 1994, when India's stock market was in full boom, Indian corporates issued more than $8bn GDRs. There have been no private sector issues this year.

Krishna Guha

Central European TV group in high-yield deal

INTERNATIONAL BONDS

By Vincent Boland

The highlight of the day on the new issues market was provided by **CENTRAL EUROPEAN MEDIA ENTERPRISES** (CME), which owns television stations throughout central and eastern Europe, with a two-tranche high-yield bond led by Morgan Stanley.

CME launched $100m and DM140m tranches of subordinated seven-year non-callable notes priced to yield 312.5 basis points over the respective seven-year US Treasury and German bund.

The issue was to have been a single tranche of $125m but was adapted to meet European investor demand. The D-Mark tranche was raised from an initial DM100m, and was sold "almost exclusively" to European investors, while the US tranche was split about 60-40 between the US and Europe, a syndicate official said.

CME, set up by Mr Ronald Lauder, heir to the Estée Lauder cosmetics fortune, owns a stable of television stations built around its flagship TV Nova station in the Czech Republic. It also operates in Slovakia, Poland, Romania and Ukraine.

"The company is a natural play for European investors with a focus on eastern Europe," the banker said, explaining the strength of demand for the D-Mark issue.

The Argentine **PROVINCE OF TUCUMAN** stepped in where the federal government feared to tread last month, with a $200m seven-year bond priced to yield 345 basis points over the equivalent US Treasury.

Bankers reported good demand for the issue, which carries a coupon of 9.45 per cent, payable quarterly.

CRAVE TRUST 1997-800, a J.P. Morgan special-purpose vehicle, issued $475m of three-year bonds linked to debt of BAT Industries, the UK tobacco and financial services group.

● **Rabobank**, which last week issued $100m of Brazilian currency-constrained debt, yesterday moved to distance itself from comments made by ABN Amro, joint lead on the issue. ABN Amro had said the credit was "a little better" than Brazil, due to the bank's strong reputation. Rabobank and its other lead managers said this was not the case as it would strictly abide by currency constraints on the issue.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Crave Tst, 97-800, A(a,s)★	475	6.68#	99.989	Aug 2000	-	+65(WI 3yr)	JP Morgan Securities
Federal Home Loan Banks(b)	200	6.711#	100.00R	Aug 2002	0.166R	-	Salomon Brothers Intl
Province of Tucuman(c,s)	200	(c1)	(c1)R	Aug 2004	0.75R	(c1)(6¾%-01)	Bear Stearns Intl
C Agricole Indosuez, Lux(d)	100	7.125#	99.9573R	Aug 1998	0.25R	+160(T-bill)	Crédit Agricole Indosuez
SWISS FRANCS							
Deutsche Ausgleichsbank	150	3.00	102.10	Sep 2003	2.25	-	Del Gottardo/Von Ernst

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ★Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Linked to BAT Industries credit risk. b) Callable on coupon dates from 14/8/99 at par. c) Secured by tax revenues. Quarterly coupons. Amortises $7.143m quarterly: average life: 3.6 yrs. c1) Priced later 320–350bp over Treasuries. d) Linked to Brazilian sovereign risk. s) Short 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	124.1912	+1.980	6.68	6.45	6.79
Austria		5.625	07/07	99.4200	+0.370	5.70	5.75	5.71
Belgium		6.250	03/07	103.6200	+0.310	5.74	5.77	5.62
Canada *		7.250	06/07	109.3800	+0.780	5.97	5.94	6.02
Denmark		7.000	06/07	105.4900	+0.290	6.25	6.26	6.13
France	BTAN	4.750	03/02	99.9729	+0.160	4.75	4.79	4.44
	OAT	5.500	10/07	99.3900	+0.270	5.58	5.63	5.40
Germany Bund		6.000	07/07	102.5200	+0.370	5.66	5.69	5.55
Ireland		6.000	08/06	110.4600	+0.260	6.43	6.41	6.37
Italy		6.750	02/07	101.1800	+0.280	6.58†	6.58	6.44
Japan	No 148	5.600	08/02	119.6167	−0.010	1.40	1.42	1.56
	No 182	3.000	09/05	106.8564	+0.380	2.08	2.12	2.29
Netherlands		5.750	02/07	101.0700	+0.350	5.60	5.61	5.47
Portugal		9.500	02/06	120.6000	+0.180	6.29	6.29	6.19
Spain		7.350	03/07	107.1300	+0.350	6.32	6.35	6.21
Sweden		8.000	08/07	110.0883	+0.070	6.59	6.52	6.48
UK Gilts		7.000	06/02	99–30	+5/32	7.01	6.93	7.11
		7.250	12/07	101–17	+12/32	7.04	6.99	7.01
		9.000	10/08	114–26	+14/32	7.06	7.02	7.04
US Treasury *		6.125	08/07	98–26	+20/32	6.29	6.21	6.25
		6.375	08/27	97–13	+31/32	6.57	6.48	6.57
ECU (French Govt)		5.500	04/07	97.3500	+0.560	5.86	5.99	5.71

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest / Treasury Bills and Bond Yields

		One month	-	Two year	5.91
Prime rate	8½	Two month	-	Three year	6.05
Broker loan rate	7¼	Three month	5.31	Five year	6.15
Fed.funds	$5\frac{9}{16}$	Six month	5.40	10-year	6.34
Fed.funds at intervention	-	One year	5.54	30-year	6.58

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	129.60	129.54	+0.28	129.66	129.42	59,580	165,714
Dec	98.58	98.52	+0.28	98.62	98.45	872	11,617
Mar	97.98	97.92	+0.28	97.98	97.98	2	–

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Dec
127	2.55	-	-	0.01	-	-
128	1.60	-	-	0.06	-	-
129	0.77	-	-	0.24	-	-
130	0.23	-	-	0.69	-	-
131	0.10	-	-	1.56	-	-

Est. vol. total, Calls 4,831 Puts 4,480. Previous day's open int., Calls 86,225 Puts 122,404.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.15	102.33	+0.42	102.39	102.07	128213	265351
Dec	101.24	101.49	+0.41	101.34	101.24	937	19226

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
10200	0.50	0.46	0.69	0.87	0.17	0.97	1.20	1.38
10250	0.21	0.28	0.50	0.67	0.38	1.29	1.51	1.68
10300	0.06	0.17	0.34	0.50	0.73	1.68	1.85	2.01

Est. vol. total, Calls 9566 Puts 17482. Previous day's open int., Calls 184168 Puts 262239

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	135.46	135.46	+0.23	135.75	135.11	31125	101256
Dec	107.70	107.69	+0.19	107.70	107.70	14	5091

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
8000		27.69		0
8050		27.19		0
8100		26.69		0

Est. vol. total, Calls 1075 Puts 1120. Previous day's open int., Calls 104458 Puts 137487

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.70	116.80	+0.38	116.89	116.57	45,588	86,854
Dec	100.63	100.77	+0.30	100.63	100.63	878	1,752

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-16	114-25	+0-14	114-28	114-18	39400	165297
Dec	114-08	114-12	+0-14	114-14	114-06	91	9979

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
114	0-61	1-13	1-34	1-52	0-11	0-53	1-10	1-28
115	0-22	0-46	1-03	1-20	0-36	1-22	1-43	1-60
116	0-06	0-26	0-44	0-58	1-20	2-02	2-20	2-34

Est. vol. total, Calls 526 Puts 3915. Previous day's open int., Calls 49561 Puts 44643

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.50	96.68	+0.32	96.70	96.44	279	5,970

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	112–26	112–27	–	113–16	112–27	414,649	515,717
Dec	112–16	112–14	–	113–04	112–22	7,023	58,972
Mar	112–18	112–04	–	–	–	169	31,863

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	126.95			127.01	126.91	3221	na
Dec	126.24			126.29	126.21	1337	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Aug 14	Day's change %	Wed Aug 13	Accrued interest	xd adj. ytd		Low coupon yield Aug 14	Low Aug 13	Low Yr. ago	Medium coupon yield Aug 14	Medium Aug 13	Medium Yr. ago	High coupon yield Aug 14	High Aug 13	High Yr. ago
1 Up to 5 years (19)	119.69	0.10	119.88	2.41	6.68	5 yrs	7.03	7.07	7.17	7.10	7.14	7.23	7.14	7.18	7.31
2 5-15 years (21)	153.10	0.32	152.61	2.69	7.01	15 yrs	7.01	7.08	8.00	7.05	7.10	8.01	7.11	7.16	8.08
3 Over 15 years (5)	182.04	0.56	182.21	6.63	6.99	20 yrs	7.01	7.06	8.09	7.02	7.08	8.09	7.10	7.15	8.14
4 Irredeemables (5)	240.22	13.45	211.73	3.35	8.36	Irred.†	7.10	7.15	8.12						
5 All stocks (50)	147.44	0.29	147.33	3.26	7.02										

Index-linked							Inflation 5% Aug 14	Aug 13	Yr. ago	Inflation 10% Aug 14	Aug 13	Yr. ago
6 Up to 5 years (2)	206.80	0.06	206.68	2.26	3.03	Up to 5 yrs	3.58	3.57	2.55	2.83	2.84	1.03
7 Over 5 years (10)	199.90	0.26	199.74	0.73	4.70	Over 5 yrs	3.53	3.55	3.71	3.31	3.33	3.51
8 All stocks (12)	199.54	0.24	199.39	0.87	4.51							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Aug 14	Aug 13	Aug 12	Aug 11	Aug 8	Yr ago	High*	Low*
Govt. Secs. (UK)	95.85	95.57	96.73	96.50	96.50	93.19	97.88	93.31
Fixed interest	125.65	125.75	126.39	125.22	125.30	113.43	128.66	115.32

Gilt Edged Activity Indices

	Aug 13	Aug 12	Aug 11	Aug 8	Aug 7
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

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FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 14

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100¼	100⅜	+½	6.44
Spain 7¼ 03	4000	110⅛	110¼		5.10
Volkswagen Intl Fin 7 03	1000	107⅞	108⅛	+⅛	5.37
Abbey Natl Treasury 8 03 £	1000	102⅛	102¼	+⅛	7.51
British Land 8⅞ 23 £	150	107⅛	107⅜	+⅛	8.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 8¾pc 1997‡‡	8.75	7.02	$100\frac{1}{32}$	—	$107\frac{23}{32}$	$100\frac{1}{32}$
Exch 15pc 1997	14.77	6.98	$101\frac{9}{16}$	$-\frac{1}{32}$	$110\frac{13}{32}$	$101\frac{9}{16}$
Conv 9½pc 2004	8.38	7.08	$113\frac{7}{16}$	$+\frac{1}{4}$	$114\frac{13}{32}$	$109\frac{11}{32}$
Treas 6¾pc 2004‡‡	6.85	7.03	98¾	$+\frac{1}{4}$	$99\frac{1}{32}$	$94\frac{3}{32}$
Conv 9½pc 2005	8.38	7.09	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked	Notes	(1)	(2)	Price £	+ or –	52 week High	52 week Low
4⅜pc '98‡‡	(135.6)	-	1.95	$114\frac{13}{32}$	—	$114\frac{13}{32}$	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Second thoughts support sterling

MARKETS REPORT

By Richard Adams

Expectations within the currency markets that UK interest rates are "on hold" receded yesterday, enabling sterling to gain three pfennigs against the D-Mark during trading in London.

The pound's return above DM2.92 was aided by a realisation that the Bank of England's statement on Wednesday, which said it was time for a "pause" in monetary policy, by no means ruled out a rate rise within the next few months.

Sterling's rise was again helped by the strength of the US dollar, which was supported by a move out of yen following the continuing currency turbulence in South-east Asia.

The dollar closed against the yen in London at Y117.8, up Y2.3 from the close of the previous day's trading. The dollar continued to rise in early trading in New York, going above Y118 before falling back.

The yen's weakness followed the announcement yesterday by Indonesia that it was abandoning its use of a currency trading band for the rupiah, in favour of a free float.

The move was forced on Indonesia after another speculative attack. By Wednesday, Bank Indonesia, the central bank, had already spent $1.5bn supporting the currency recently.

The rupiah quickly slid to a record low against the US dollar at Rp2,815, but recovered to around Rp2750.

The D-Mark and the pound took advantage of the yen's weakness, with sterling gaining Y4.5 to Y187 and the D-Mark up near Y64 – its strongest for two weeks.

The D-Mark also rose against the Norwegian and Swedish currencies, helped by market worries ahead of Norway's general election next month, and thin summer trading volumes.

■ The return of sterling above DM2.92 was the result of second thoughts following the Bank of England's campaign to talk down sterling.

The Bank followed last week's statement by the monetary policy committee with remarks in its latest Inflation Report suggesting a pause in rate increases. But Mr. Avinash Persaud, currency analyst at J.P. Morgan in London, said yesterday's movements showed increased scepticism above the length of any pause.

"The Bank may be on hold, but the next rate move is certainly up, and it may be sooner than we think," Mr Persaud said.

Mr Persaud also said yesterday's moves suggested an unravelling of the market's premium on sterling as a safe haven for staying out of European economic and monetary union.

"The weaker the Euro is – in other words, the more competitive the Euro is – the more difficult it is for sterling to stay outside," Mr Persaud said.

■ Indonesia became the latest Asian emerging market to find its currency controls proving no match to the marketplace.

The pressure had been building steadily on the rupiah after the turmoil in the Thai baht had abated. But it came to a head when its rate against the dollar reached the top of the old band at Rp2682.

Analysts at Citibank in London say the short term range for the rupiah against the dollar is Rp2850 before appreciation sets in.

The central bank has now moved its emphasis to interest rate targeting through tighter monetary and fiscal policies, although Citibank said the current level of high rates is unsustainable and a burden on the economy.

■ The dollar's strength yesterday was more a reaction to events elsewhere than to any fundamental reasons, analysts said.

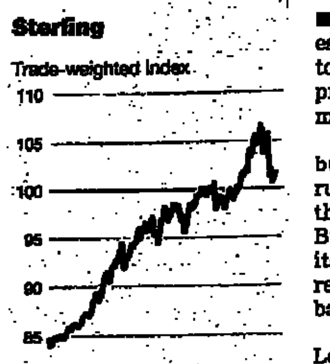
A modest rise in US industrial production in July, coupled with a drop in capacity utilisation, had little impact on the dollar. The data confirmed the established view of good third quarter growth with low inflation.

Also cited were the uninspiring comments following the meeting between Mr Lawrence Summers, the US deputy Treasury secretary, and Mr Eisuke Sakakibara, Japan's vice-minister for international affairs.

The pair said they discussed topics including monetary co-operation with emerging markets, but said nothing on the dollar or the yen, except that their policy had not changed.

Sterling

Trade-weighted index



Source: Datastream/ICV

■ **Pound in New York**

Aug 14	--Latest--	-- Prev. close --
£ spot	1.5885	1.5845
1 mth	1.5865	1.5824
3 mth	1.5832	1.5785
1 yr	1.5675	1.5640

■ **OTHER CURRENCIES**

Aug 14	£	$
Czech Rp	53.9279 - 54.0217	33.9960 - 34.0380
Hungary	314.325 - 314.563	198.150 - 198.200
Iran	4761.30 - 4758.90	3000.00 - 3000.00
Kuwait	0.4837 - 0.4841	0.3049 - 0.3050
Poland	5.5314 - 5.5422	3.4870 - 3.4920
Russia	9214.82 - 9222.64	5809.00 - 5811.00
U.A.E.	5.8262 - 5.8294	3.6728 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Aug 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.6105	+0.2442	997 - 213	20.6365	20.3327	20.5581	3.2	20.4434	3.2	19.9379	3.3	101.9
Belgium	(BFr)	60.4612	+0.7119	063 - 161	60.5800	59.6730	60.2812	3.6	59.9112	3.6	58.1612	3.8	101.3
Denmark	(DKr)	11.1577	+0.1418	533 - 621	11.1734	11.0072	11.1282	3.4	11.0622	3.4	10.7707	3.5	103.6
Finland	(FM)	8.7710	+0.097	648 - 771	8.7830	8.6550	8.7457	3.5	8.6932	3.6	8.4805	3.3	80.8
France	(FFr)	9.8713	+0.1144	676 - 749	9.8784	9.7420	9.8383	4.0	9.7813	3.8	9.5058	3.7	103.8
Germany	(DM)	2.9292	+0.0348	277 - 306	2.9342	2.8881	2.9198	3.8	2.9008	3.9	2.8139	3.9	102.0
Greece	(Dr)	459.604	+4.296	345 - 862	460.685	454.777	461.387	-4.7	464.011	-3.8	472.379	-2.8	65.1
Ireland	(I£)	1.0962	+0.0041	951 - 972	1.0985	1.0903	1.0957	0.5	1.0943	0.7	1.0835	1.2	98.8
Italy	(L)	2863.76	+33.53	184 - 567	2867.30	2826.76	2863.84	0.0	2863.81	0.0	2861.21	0.1	75.6
Luxembourg	(LFr)	60.4612	+0.7119	063 - 161	60.5800	59.6730	60.2812	3.6	59.9112	3.6	58.1612	3.8	101.3
Netherlands	(Fl)	3.2996	+0.0402	982 - 009	3.3038	3.2551	3.2894	3.7	3.2685	3.8	3.1725	3.9	100.8
Norway	(NKr)	12.1454	+0.1368	401 - 507	12.2331	11.9881	12.1129	3.2	12.0519	3.1	11.7829	3.0	95.9
Portugal	(Es)	296.919	+3.53	765 - 073	297.109	293.113	296.763	0.6	296.233	0.9	292.145	1.6	92.0
Spain	(Pta)	247.581	+2.942	495 - 667	247.680	244.210	247.266	1.5	246.518	1.7	242.146	2.2	78.4
Sweden	(SKr)	12.7743	+0.1636	651 - 835	12.7870	12.5901	12.7468	2.6	12.6883	2.7	12.4318	2.7	84.8
Switzerland	(SFr)	2.4159	+0.0326	143 - 172	2.4187	2.3823	2.4049	5.4	2.3823	5.5	2.282	5.5	105.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.8
Ecu	-	1.4897	+0.0154	888 - 905	1.4929	1.4719	1.4864	2.7	1.4792	2.8	1.4452	3.0	-
SDR†	-	1.172480	-	-			-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5864	+0.0064	860 - 868	1.5892	1.5777	-	-	-	-	-	-	-
Brazil	(R$)	1.7231	+0.0071	226 - 236	1.7262	1.7137	-	-	-	-	-	-	-
Canada	(C$)	2.2072	+0.0074	062 - 081	2.2107	2.1958	2.2003	3.7	2.1867	3.7	2.1358	3.2	84.6
Mexico	(New Peso)	12.3279	+0.0224	208 - 349	12.3584	12.2895	-	-	-	-	-	-	-
USA	($)	1.5867	+0.0064	863 - 871	1.5895	1.5780	1.5848	1.4	1.581	1.4	1.567	1.2	106.3
Pacific/Middle East/Africa													
Australia	(A$)	2.1361	+0.0095	338 - 384	2.1384	2.1201	2.1315	2.1	2.1231	2.3	2.0961	2.3	94.2
Hong Kong	(HK$)	12.2949	+0.0577	910 - 988	12.3162	12.2237	12.2939	0.1	12.2874	0.2	12.2324	0.5	-
India	(Rs)	56.6890	+0.2489	150 - 230	56.7290	56.3820	56.8642	-4.1	57.2847	-4.2	58.9445	-4.0	-
Israel	(Shk)	5.5974	+0.0163	876 - 072	5.6072	5.5876	-	-	-	-	-	-	-
Japan	(Y)	187.056	+4.529	961 - 151	187.460	182.910	186.036	6.5	184.011	6.5	175.026	6.4	132.4
Malaysia	(M$)	4.4110	+0.0287	075 - 145	4.4180	4.3598	4.4152	-1.2	4.4232	-1.1	4.4419	-0.7	-
New Zealand	(NZ$)	2.4709	+0.0084	689 - 729	2.4735	2.4602	2.4741	-1.6	2.4779	-1.1	2.4785	-0.3	108.2
Philippines	(Peso)	46.7998	+1.526	483 - 512	47.6556	46.4134	46.9596	-4.1	47.2091	-3.5	48.266	-3.1	-
Saudi Arabia	(SR)	5.9510	+0.0241	494 - 526	5.9614	5.9186	5.9475	0.7	5.939	0.8	5.9026	0.8	-
Singapore	(S$)	2.4094	+0.0319	080 - 108	2.4150	2.3813	2.4048	2.3	2.3947	2.4	2.3465	2.6	-
South Africa	(R)	7.4314	+0.0706	271 - 356	7.4412	7.3577	7.4921	-9.8	7.61	-9.6	8.047	-8.3	-
South Korea	(Won)	1420.19	+5.78	657 - 383	1423.63	1412.31	-	-	-	-	-	-	-
Taiwan	(T$)	45.5780	+0.1829	682 - 878	45.7878	45.3312	45.5615	0.4	45.5217	0.5	45.324	0.6	-
Thailand	(Bt)	50.0605	+0.2984	685 - 524	50.1524	47.9180	50.3871	-8.1	50.8587	-6.4	51.8889	-3.7	-

† Rates for Aug 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.9896	+0.1015	860 - 931	13.0000	12.8730	12.9656	2.2	12.9166	2.2	12.6926	2.3	101.5
Belgium	(BFr)	38.1050	+0.295	800 - 300	38.1400	37.7820	38.03	2.4	37.8785	2.4	37.185	2.4	101.4
Denmark	(DKr)	7.0320	+0.061	310 - 330	7.0360	6.9692	7.0203	2.0	6.996	2.0	6.8896	2.0	102.8
Finland	(FM)	5.5278	+0.0388	253 - 303	5.5341	5.4818	5.5163	2.5	5.4927	2.5	5.3989	2.3	80.1
France	(FFr)	6.2213	+0.047	205 - 220	6.2246	6.1687	6.2098	2.2	6.186	2.3	6.0771	2.3	103.2
Germany	(DM)	1.8461	+0.0145	456 - 465	1.8476	1.8297	1.8423	2.5	1.8345	2.5	1.7985	2.5	101.6
Greece	(Dr)	289.660	+1.53	570 - 750	290.080	286.580	290.955	-5.4	293.01	-4.6	300.16	-3.6	64.7
Ireland	(I£)	1.4475	+0.0005	465 - 485	1.4537	1.4419	1.4467	0.6	1.4458	0.5	1.4462	0.1	-
Italy	(L)	1804.85	+13.85	410 - 560	1806.10	1790.22	1806.62	-1.2	1809.62	-1.1	1813.05	-0.5	75.3
Luxembourg	(LFr)	38.1050	+0.295	800 - 300	38.1400	37.7820	38.03	2.4	37.8785	2.4	37.185	2.4	101.4
Netherlands	(Fl)	2.0795	+0.0169	792 - 798	2.0804	2.0610	2.0753	2.5	2.0667	2.5	2.029	2.4	100.7
Norway	(NKr)	7.6545	+0.0553	531 - 559	7.6962	7.5942	7.64	2.3	7.6116	2.2	7.4999	2.0	95.1
Portugal	(Es)	187.130	+1.47	080 - 180	187.300	185.550	187.094	0.2	187.04	0.2	185.87	0.7	92.5
Spain	(Pta)	156.035	+1.225	020 - 050	156.060	154.660	155.99	0.3	155.815	0.6	154.64	0.9	75.9
Sweden	(SKr)	8.0509	+0.0707	471 - 546	8.0548	7.9760	8.0419	1.3	8.0225	1.4	7.9485	1.3	85.0
Switzerland	(SFr)	1.5225	+0.0144	220 - 230	1.5249	1.5090	1.5171	4.2	1.5065	4.2	1.461	4.0	104.9
UK	(£)	1.5867	+0.0064	863 - 871	1.5895	1.5780	1.5848	1.4	1.581	1.4	1.567	1.2	100.5
Ecu	-	1.0652	-0.0067	648 - 655	1.0727	1.0639	1.0666	-1.6	1.0698	-1.7	1.0854	-1.9	-
SDR†	-	0.73833	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0860	+0.0001	859 - 860	1.0860	1.0859	-	-	-	-	-	-	-
Canada	(C$)	1.3911	-0.001	908 - 913	1.3929	1.3898	1.388	2.7	1.3822	2.5	1.3617	2.1	84.1
Mexico	(New Peso)	7.7695	-0.0175	670 - 720	7.7720	7.7670	7.878	-16.8	8.089	-16.4	8.9995	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3456	+0.0005	452 - 461	1.3461	1.3452	1.345	0.5	1.3432	0.7	1.3348	0.8	95.4
Hong Kong	(HK$)	7.7487	+0.0049	482 - 492	7.7520	7.7440	7.7492	-0.1	7.7501	-0.1	7.7524	0.0	-
India	(Rs)	35.7150	+0.0105	900 - 400	35.7400	35.6900	35.8525	-4.6	36.1375	-4.7	37.35	-4.6	-
Israel	(Shk)	3.5277	-0.0041	224 - 330	3.5500	3.5212	-	-	-	-	-	-	-
Japan	(Y)	117.890	+2.385	860 - 920	118.100	115.500	117.375	5.2	116.375	5.1	112.075	4.9	136.1
Malaysia	(M$)	2.7800	+0.0075	785 - 815	2.7855	2.7540	2.7845	-1.9	2.7935	-1.9	2.8235	-1.6	-
New Zealand	(NZ$)	1.5573	-0.0009	564 - 581	1.5591	1.5561	1.5581	-0.6	1.5605	-0.8	1.5706	-0.9	-
Philippines	(Peso)	29.4950	+0.845	700 - 200	30.2000	29.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 506	3.7508	3.7505	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.5185	+0.014	180 - 190	1.5220	1.5010	1.5168	1.4	1.513	1.5	1.4935	1.6	-
South Africa	(R)	4.6835	+0.0255	820 - 850	4.6885	4.6600	4.724	-10.4	4.8035	-10.2	5.106	-9.0	-
South Korea	(Won)	895.000	-	000 - 000	897.000	893.000	-	-	-	-	-	-	-
Taiwan	(T$)	28.7250	-0.0015	000 - 500	28.8500	28.6000	28.736	-0.5	28.745	-0.3	28.8375	-0.4	-
Thailand	(Bt)	31.5500	+0.06	000 - 000	31.6000	30.2000	31.995	-16.9	32.7	-14.6	33.93	-7.5	-

† SDR rate per $ for Aug 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 13: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

August 14	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 5/8	3 1/2	3 5/8	3 5/8	3 3/4	6.00	2.50	-
France	3 7/32	3 3/8	3 3/8	3 1/2	3 19/32	3.10	-	4.75
Germany	3 3/8	3 1/8	3 3/16	3 3/8	3 3/8	4.50	2.50	3.00
Ireland	6 1/8	6 1/4	6 1/4	6 3/8	6 1/4	-	-	6.75
Italy	6 13/16	6 7/8	6 7/8	6 13/16	6 5/8	7.75	6.25	6.27
Netherlands	3 3/8	3 3/8	3 13/32	3 17/32	3 5/8	-	2.50	3.00
Switzerland	1 1/4	1 3/8	1 1/2	1 11/16	1 3/4	-	1.00	-
US	5 9/16	5 5/8	5 21/32	5 3/4	5 13/16	-	5.00	-
Japan	3/8	1/2	1/2	1/2	5/8	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 5/8	5 3/4	5 13/16	6 1/8	-	-	-
US Dollar CDs	-	5.43	5.46	5.54	5.72	-	-	-
ECU Linked Ds	-	4 3/32	4 1/8	4 11/32	4 13/32	-	-	-
SDR Linked Ds	-	3 1/2	3 5/8	3 11/16	3 13/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/2 - 3 7/16	3 19/32 - 3 15/32	3 17/32 - 3 13/32	3 19/32 - 3 15/32	3 5/8 - 3 1/2	3 29/32 - 3 23/32
Danish Krone	3 19/32 - 3 7/16	3 19/32 - 3 7/16	3 19/32 - 3 7/16	3 21/32 - 3 1/2	3 27/32 - 3 11/16	4 3/32 - 3 31/32
German Mark	3 1/8 - 2 15/16	3 5/32 - 3 1/32	3 3/16 - 3 1/16	3 1/4 - 3 1/8	3 3/8 - 3 1/4	3 9/16 - 3 7/16
Dutch Guilder	3 3/8 - 3 3/16	3 11/32 - 3 7/32	3 3/8 - 3 5/16	3 7/16 - 3 5/16	3 9/16 - 3 13/32	3 3/4 - 3 21/32
French Franc	3 1/4 - 3 1/8	3 5/16 - 3 3/16	3 11/32 - 3 1/4	3 13/32 - 3 5/16	3 17/32 - 3 7/16	3 3/4 - 3 5/8
Portuguese Esc.	5 31/32 - 5 7/16	5 11/16 - 5 19/32	5 11/16 - 5 19/32	5 5/8 - 5 17/32	5 17/32 - 5 7/16	5 3/8 - 5 1/4
Spanish Peseta	6 11/32 - 5 15/16	5 21/32 - 5 19/32	5 13/16 - 5 13/32	5 7/16 - 5 5/16	5 13/32 - 5 5/16	5 3/8 - 5 3/16
Sterling	7 3/8 - 7 1/16	7 3/16 - 6 31/32	7 3/16 - 6 7/8	7 9/32 - 7 5/32	7 13/32 - 7 5/16	7 5/8 - 7 3/8
Swiss Franc	1 15/16 - 3/4	1 1/32 - 1 5/16	1 15/16 - 1 3/8	1 17/32 - 1 5/8	1 11/16 - 1 5/8	1 27/32 - 1 3/4
Canadian Dollar	3 9/16 - 3 5/16	3 7/16 - 3 1/4	3 7/16 - 3 5/16	3 5/8 - 3 1/2	3 29/32 - 3 25/32	4 5/16 - 4 3/16
US Dollar	5 23/32 - 5 17/32	5 23/32 - 5 19/32	5 5/8 - 5 1/2	5 23/32 - 5 19/32	5 13/16 - 5 11/16	6 1/16 - 5 15/16
Italian Lira	7 13/32 - 6 13/16	6 27/32 - 6 3/4	6 29/32 - 6 13/16	6 7/8 - 6 13/16	6 27/32 - 6 3/4	6 21/32 - 6 9/16
Japanese Yen	15/32 - 7/16	17/32 - 1/2	17/32 - 1/2	19/32 - 9/16	19/32 - 9/16	5/8 - 17/32
Asian $Sing	1 7/8 - 1 3/4	3 1/8 - 3	3 1/2 - 3 3/8	3 3/4 - 3 5/8	3 13/16 - 3 11/16	4 13/16 - 4 19/32

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.50	96.49	+0.01	96.51	96.48	7,470	63,335
Dec	96.30	96.30	+0.02	96.32	96.29	6,066	43,642
Mar	96.19	96.19	+0.02	96.20	96.18	2,961	30,931

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.63	96.64	+0.01	96.65	96.62	17558	257140
Dec	96.44	96.44	-	96.45	96.42	26222	305132
Mar	96.34	96.30	-0.01	96.34	96.28	27312	289037
Jun	96.10	96.09	-	96.11	96.07	24596	211158

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Aug		96.82	+0.01			0	540
Sep		96.73	-			0	348
Oct		96.66	-0.01			0	265
Nov		96.62	-0.02			0	60

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.22	93.22	+0.02	93.24	93.20	6769	99805
Dec	93.52	93.53	+0.02	93.55	93.50	13462	97877
Mar	93.85	93.83	+0.02	93.85	93.80	2662	54117
Jun	94.09	94.09	+0.02	94.11	94.06	1888	42402

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.43	98.41	-	98.43	98.37	5365	61154
Dec	98.20	98.20	-	98.23	98.16	9635	58753
Mar	98.08	98.06	-0.01	98.09	98.02	1701	26258
Jun	97.89	97.89	-0.01	97.92	97.85	1699	7128

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.41	-			0	na
Dec		99.36	+0.01			0	na
Mar		99.25	+0.03			0	na

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.62	95.62	+0.02	95.62	95.60	930	11051
Dec	95.52	95.53	+0.01	95.54	95.51	679	9270
Mar	95.46	95.49	+0.01	95.49	95.46	496	6223
Jun	95.41	95.43	+0.01	95.43	95.40	76	3497

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9300	0.25	0.59	0.92	0.03	0.06	0.09
9325	0.07	0.38	0.71	0.10	0.10	0.13
9350	0.01	0.23	0.52	0.29	0.20	0.19

Est. vol. total, Calls 1250 Puts 201. Previous day's open int., Calls 133314 Puts 63371

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.33	4.845	1.813	4737	5.457	20.09	491.1	409.5	21.13	3.996	1.654	3.651	2.624	309.4	2.464
Denmark	(DKr)	54.19	10	8.847	2.625	0.982	2567	2.957	10.89	266.1	221.9	11.45	2.165	0.896	1.978	1.422	167.6	1.335
France	(FFr)	61.25	11.30	10	2.967	1.110	2901	3.343	12.30	300.8	250.8	12.94	2.447	1.013	2.236	1.607	189.5	1.509
Germany	(DM)	20.64	3.809	3.370	1	0.374	977.7	1.126	4.146	101.4	84.52	4.361	0.825	0.341	0.754	0.542	63.86	0.509
Ireland	(I£)	55.16	10.18	9.005	2.672	1	2613	3.010	11.08	270.9	225.9	11.65	2.204	0.912	2.014	1.448	170.6	1.359
Italy	(L)	2.111	0.390	0.345	0.102	0.038	100	0.115	0.424	10.37	8.645	0.446	0.084	0.035	0.077	0.055	6.532	0.052
Netherlands	(Fl)	18.32	3.382	2.992	0.888	0.332	867.9	1	3.681	89.99	75.03	3.872	0.732	0.303	0.669	0.481	56.69	0.451
Norway	(NKr)	49.78	9.187	8.128	2.412	0.903	2358	2.717	10	244.5	203.8	10.52	1.989	0.823	1.817	1.306	154.0	1.226
Portugal	(Es)	20.36	3.758	3.325	0.987	0.369	964.5	1.111	4.090	100	83.38	4.302	0.814	0.337	0.743	0.534	63.00	0.502
Spain	(Pta)	24.42	4.507	3.987	1.183	0.443	1157	1.333	4.906	119.9	100	5.160	0.976	0.404	0.892	0.641	75.55	0.602
Sweden	(SKr)	47.33	8.734	7.727	2.293	0.858	2242	2.583	9.508	232.4	193.8	10	1.891	0.783	1.728	1.242	146.4	1.166
Switzerland	(SFr)	25.03	4.619	4.086	1.213	0.454	1185	1.366	5.028	122.9	102.5	5.288	1	0.414	0.914	0.657	77.43	0.617
UK	(£)	60.46	11.16	9.871	2.929	1.096	2864	3.300	12.15	296.9	247.6	12.77	2.416	1	2.207	1.587	187.1	1.490
Canada	(C$)	27.39	5.055	4.472	1.327	0.497	1297	1.495	5.502	134.5	112.2	5.787	1.094	0.453	1	0.719	84.75	0.675
USA	($)	38.11	7.032	6.221	1.846	0.691	1805	2.080	7.655	187.1	156.0	8.051	1.523	0.630	1.391	1	117.9	0.939
Japan	(Y)	32.32	5.965	5.277	1.566	0.586	1531	1.764	6.493	158.7	132.4	6.829	1.291	0.535	1.180	0.848	100	0.796
Ecu	-	40.59	7.490	6.627	1.966	0.736	1923	2.215	8.154	199.3	166.2	8.576	1.622	0.671	1.482	1.065	125.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5460	0.5428	-0.0033	0.5465	0.5424	50,727	114,583
Dec	0.5498	0.5457	-0.0036	0.5498	0.5457	829	4,074
Mar	0.5526	0.5525	-0.0001	0.5526	0.5525	362	1,054

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8687	0.8545	-0.0142	0.8620	0.8545	20,729	70,633
Dec	0.8724	0.8668	-0.0133	0.8732	0.8668	627	2,354
Mar	0.8925	-	-	-	-	165	530

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6644	0.6583	-0.0060	0.6631	0.6580	15,422	52,598
Dec	0.6690	0.6654	-0.0057	0.6696	0.6654	222	2,391
Mar	-	-	-	-	-	7	1,065

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5822	1.5828	+0.0006	1.5876	1.5786	7,836	51,443
Dec	1.5756	1.5800	+0.0034	1.5800	1.5750	118	1,067
Mar	-	-	-	-	-	40	209

UK INTEREST RATES

LONDON MONEY RATES

Aug 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/4 - 6 1/2	7 1/8 - 6 15/16	7 1/8 - 7	7 1/4 - 7 1/8	7 3/8 - 7 1/4	7 9/16 - 7 7/16
Sterling CDs	-	-	7 1/32 - 6 31/32	7 3/16 - 7 1/16	7 5/16 - 7 1/8	7 15/32 - 7 3/32
Treasury Bills	-	-	6 13/16 - 6 11/16	7 - 6 7/8	-	-
Bank Bills	-	-	7 - 6 15/16	7 1/16 - 6 3/4	7 3/16 - 7 1/16	-
Local authority deps.	6 7/8 - 6 5/8	6 7/8 - 6 5/8	7 1/32 - 7 1/32	7 3/16 - 7 1/32	7 1/4 - 7 3/16	7 7/16 - 7 3/8
Discount Market deps	6 7/8 - 6 3/4	6 7/8 - 6 3/4	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount on Aug 8, 6.7800pc. ECGD fixed rate Stlg. Export Finance. Make up day Jul 31, 1997. Agreed rate for period Aug 26, 1997 to Sep 23, 1997, Scheme III 8.27pc. Reference rate for period Jul 1, 1997 to Jul 31, 1997, Schemes IV & V 7.096pc. Finance House Base Rate 7pc from Aug 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.78	92.77	+0.01	92.78	92.77	6979	109454
Dec	92.64	92.65	+0.03	92.66	92.63	9741	123548
Mar	92.61	92.62	+0.03	92.63	92.60	5904	99634
Jun	92.63	92.62	+0.02	92.64	92.61	2414	68241
Sep	92.64	92.65	+0.03	92.66	92.63	1386	54989

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.06	0.07	0.12	0.04	0.17	0.25
9300	0.01	0.02	0.04	0.24	0.37	0.42
9325	0	0	0.01	0.48	0.60	0.64

Est. vol. total, Calls 5100 Puts 2381. Previous day's open int., Calls 191959 Puts 207765

EMS EUROPEAN CURRENCY UNIT RATES

Aug 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.741930	-0.000141	-7.11	10.70	48
Finland	5.85424	5.90364	+0.00613	0.84	1.97	-6
Italy	1906.48	1925.92	-3.06	1.02	1.79	-7
Portugal	197.398	199.720	+0.034	1.18	1.63	-8
Spain	163.826	166.555	-0.018	1.67	1.14	-12
Denmark	7.34555	7.50397	-0.00069	2.16	0.66	-15
Netherlands	2.16979	2.21923	+0.00053	2.28	0.54	-17
Germany	1.92573	1.97006	+0.00066	2.30	0.51	-23
Austria	13.5485	13.8624	+0.005	2.32	0.50	-17
Belgium	39.7191	40.6840	+0.0137	2.43	0.39	-18
France	6.45863	6.64127	-0.00147	2.83	0.00	-24
NON ERM MEMBERS						
Greece	295.269	309.501	-0.089	4.82	-1.90	-
UK	0.793103	0.677922	+0.000102	-14.52	20.30	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.570	1.55	2.23	2.78	0.13	1.51	2.27
1.580	0.80	1.71	2.34	0.32	2.00	2.74
1.590	0.31	1.29	1.91	0.74	2.54	3.31

Previous day's vol., Calls 1,210 Puts 1,730. Prev. day's open int., Calls 36,951 Puts 38,674

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
0.535	0.98	1.36	1.64	0.03	0.29	0.47
0.540	0.55	1.02	1.39	0.08	0.43	0.66
0.545	0.22	0.78	1.04	0.21	0.64	0.87

Previous day's vol., Calls 1,474 Puts 1,814. Prev. day's open int., Calls 18,285 Puts 18,271

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.22	94.26	+0.01	94.26	94.25	81,974	502,955
Dec	93.99	94.09	-0.07	94.10	94.08	206,581	479,251
Mar	93.89	-	-	94.02	93.98	214,954	342,643

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.92	-	-	94.92	94.91	438	6,986
Dec	94.80	-	-	94.80	94.80	398	2,118
Mar	-	-	-	-	-	46	705

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9625	0.39	0.40	0.23	0.28	0	0.01	0.04	0.07
9650	0.15	0.16	0.08	0.10	0.01	0.02	0.14	0.16
9675	0.01	0.01	0.02	0.02	0.12	0.12	0.33	0.33
9700	0	0	0.01	0.01	0.36	0.36	0.57	0.57
9725	0	0	0	0	0.61	0.61	0.81	0.81

Est. vol. total, Calls 3060 Puts 4962. Previous day's open int., Calls 362298 Puts 269081

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9850	0.06	0.09	0.11	0.15	0.38	0.55
9875	0.01	0.03	0.05	0.35	0.58	0.74

Est. vol. total, Calls 700 Puts 0. Previous day's open int., Calls 3875 Puts 3955

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	7.50	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	6.75	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Western Trust	6.50
Bank of Scotland	7.00	C. Hoare & Co	7.00	Whiteaway Laidlaw	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00	Yorkshire Bank	7.00
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00	● Members of London Investment Banking Association	
Citibank NA	7.00	●Leopold Joseph & Sons	7.00	* In administration	
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

APPOINTMENTS

COMMODITIES AND AGRICULTURE

Istanbul exchange launches gold futures

By John Barham in Ankara

Turkey begins its first experiment with financial derivatives today with the inauguration of gold futures trading on the Istanbul Gold Exchange. Although the country has suffered decades of heavy inflation, its rapidly developing financial markets have never been able to hedge their financial positions, except in expensive one-off deals.

Mr Kaan Aytoğu, exchange secretary-general, said that although the contracts would be based on gold, they would enable all participants in the financial markets, including banks and foreign investors, to reduce risk. The exchange has hitherto dealt only in physical gold, with turnover hitting a record 32.43 tonnes last month.

The exchange hopes derivatives will boost turnover as trading becomes driven by far larger financial markets, rather than the parochial jewellery market. The exchange was established two years ago to service Turkey's jewellery industry and lure into the financial system some of the large amount of gold believed to be held by individual savers.

Turkey is trying to build Istanbul into a regional financial centre. It already has the region's largest stock market and earlier this year opened an offshore market for tax-free trading in foreign stocks and Turkish eurobonds.

In principle, hedging requirements of Turkey's banks alone are considerable. At the end of 1996 they had accumulated hard currency short positions of $2.52bn, which they used to speculate in local equity and bond markets. They boosted returns by betting that Turkey's currency would appreciate in real terms.

A banker said the exchange would have to offer very low rates for speculators to carry their positions, given the sizeable returns to be had from carrying short positions. He said the underlying physical market lacked depth and "the range and scope of contracts are better at European gold trading centres in Zurich or Geneva."

Istanbul is also handicapped by its use of non-standard gold. International markets trade in 99.99 per cent pure gold, whereas the Turkish market has used a less pure standard. Mr Aytoğu said the exchange was trying to convince local dealers and jewellers to adhere to international standards.

The futures contracts are modelled on those used on the New York Mercantile Exchange, the world's leading gold market. However, dealing and clearing costs in Istanbul have been lowered substantially to attract business.

Strong demand in US lifts oil

MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Gary Mead

Surging demand in the US lifted world oil markets yesterday, with Brent Blend for September delivery up 28 cents to $19.27 a barrel in late trading on London's International Petroleum Exchange.

Fears about resumed Iraqi oil exports took a back seat to concerns about a possible tightening of gasoline supplies in the US.

Traders said problems with a 110,000 barrel a day catalytic cracker at Exxon's Baytown Texas refinery underpinned the perception of a tightening of gasoline supplies. Stronger than expected demand during the summer holiday season has left US gasoline stocks at near historic lows for this time of the year.

On the London Metal Exchange, the options-related technical squeeze in the aluminium market flared up again. The premium for metal for immediate delivery compared with aluminium for delivery in three months, which had virtually disappeared on Wednesday, jumped to $14 a tonne.

The renewed tightness helped lift three-month aluminium above $1,700 a tonne again, to close at around $1,720.

A subdued day's trading in soft commodities on the London International Financial Futures Exchange saw the September contract for robusta coffee close just $5 up at $1,515 a tonne, amid trading described by dealers as lacklustre.

On the New York Coffee, Sugar and Cocoa Exchange the September contract fell 0.10 cents a pound to 183 cents before midday.

Report warns on grain prices

By Heather Bourbeau in Washington

Shrinking supplies of grain, leading to rising prices, may cause economic and political instability in the near future, according to a Worldwatch Institute report to be published tomorrow.

Mr Lester Brown, author of the report, titled The Agricultural Link, says food supplies could be the first area in which environmental deterioration will cause economic distress.

Grain prices have risen in recent years and in early 1996 briefly doubled, with wheat at more than $7 a bushel and corn at $5.54. The US Department of Agriculture, however, contends that prices for agricultural commodities have declined in real terms over the long run.

The Worldwatch figures appear to chime with those published by the USDA, which forecast earlier this week that worldwide grain production is expected to decline from 1.867bn tonnes in 1996 to 1.851bn tonnes this year. However, this year's projection is a significant increase from 1995's 1.709bn tonnes.

Mr Ed Allen, an economist at USDA, believes global grain production will be able to keep pace with increased demand, with only a slight upward pressure on prices. Improved productivity, particularly with soyabeans and corn, has left grain markets "tight but reasonable".

However, Mr Brown estimates that if prices continue to rise, the 1.3bn people who subsist on $1 a day or less will be unable to feed their families and will "take to the streets".

His warning extends to multinational corporations, which will, he argues, see a decline in their earnings, while the world's stock markets will come under pressure. Ultimately, he asserts, the international monetary system will be at risk if solutions to underlying ecological disasters are not found.

In his view, global environmental problems such as deforestation, greenhouse gases and air pollution may contribute to problems in grain production. However, he singles out water scarcity as the most influential factor. "Seventy per cent of all the water pumped from underground or diverted from rivers is used for irrigation. Thus, if we face a future of water scarcity, we also face a future of food scarcity," he says.

He contends that to avert an international disaster, nations must focus on climate and population stabilisation efforts, protecting arable land and water from conversion to non-farm use.

Finding a way forward for gold

Kenneth Gooding examines the arguments for and against hedging

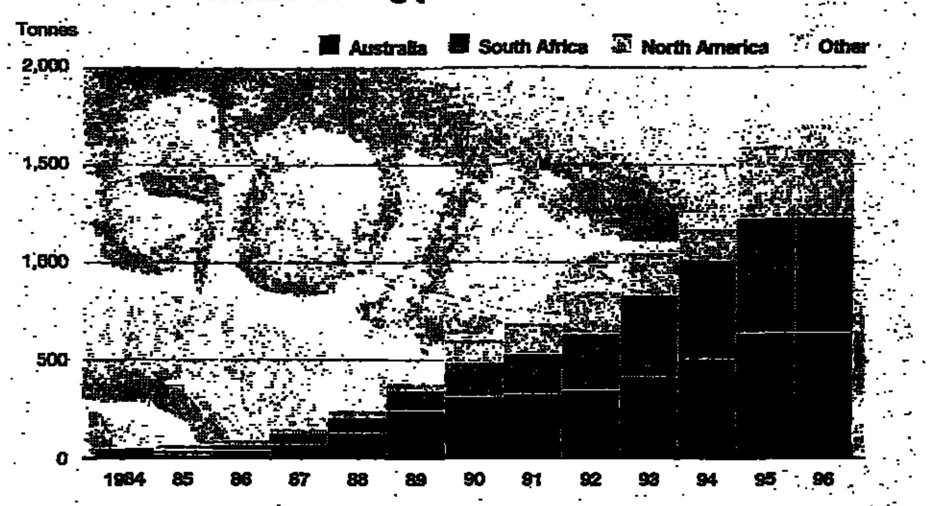
THE PROS: South Africa's gold mining industry's reluctance to hedge its output has put it in a precarious position. With the gold price near $320 an ounce, only five of the republic's 30 mines are profitable: Anglo Gold's Ergo, Elandsrand and Vaal Reefs; Gengold's Beatrix; and Gold Fields' Driefontein.

Making these points in Mining Journal's latest International Gold Mining Newsletter, Mr Paul Burton, the editor, also suggests that when the full cost of production is taken into account, "if the gold price remains at present levels for several quarters, many mines outside South Africa may survive, but few will thrive".

His analysis shows the weighted average price received by the Australian gold mining industry in the latest quarter – when gold fell to a 12-year low – was US$460 or $108 an ounce above the spot price. "What better endorsement for the aggressive hedging strategies of the Australian producers," says Mr Burton. The received price was also well above Australian industry average cash operating costs of US$286 an ounce.

In North America there is greater diversity in the approach to hedging because there are substantial non-hedgers, such as Battle Mountain, Homestake and Newmont. This accounts for the average realised gold price being below Australia's at $385 an ounce, or $33 above the spot price. North American average cash operating costs were $237.

Gold: world forward selling positions



Source: Gold Field Mineral Services

The South African average received price was $362, only $10 an ounce above spot, and not much ahead of average cash operating costs of $312.

Mr Burton says total costs, rather than cash operating costs, determine profitability. An average $53 an ounce should be added to North American cash operating costs to arrive at total costs, while in Australia the figure ranges from US$23 to $158.

Companies outside South Africa best placed to remain cash-positive at current prices include Barrick Gold (notional cash margin $224 an ounce), Delta Gold ($229), Aurora Gold ($215) and Normandy Mining ($215).

THE CONS: In a passionate denouncement of hedging by gold mining groups, Mr Julian Baring, who until recently headed the Mercury Asset Management mining investment team, says some companies claim they have made paper profits totalling US$1.8bn by selling forward.

"Unfortunately for their shareholders, the stock market has rewarded their perspicacity with a fall of $13bn in the market capitalisation of the gold industry, seven times the figure they have reputedly saved," he says in letter to investors in MAM's Gold & General Fund.

Mr Baring also points out that, measured against the recent gold price peak in February 1996, the industry's value has dropped by $30bn.

On central banks, Mr Baring says that, taking their cue from the miners, they have sold 1,306 tonnes of gold in the past three years. "This represents a mere 4 per cent of their total gold reserves and raised only $15.7bn. But by selling it they have been instrumental in reducing the value of what remains by $68bn.

"The reason given for selling the gold in the first place is that it is a non-income producing asset and that by selling it the proceeds can be reinvested to give a return. Never mind the diminution of capital suffered in the process. From where I sit this looks like sheer madness."

Mr Baring says selling by miners and central banks helps only speculators, who know they are sure to make profits by selling short.

He says investors should "keep their cheque books in their pockets until the mining industry wakes up to the reality that we actually want the risk that forward sales are designed to remove. We want the risk of the gold price going up because we recognise that gold is fundamentally cheap."

Mr Baring points out that gold companies will not have the money for exploration and new deposits will not be discovered.

"Now the gold mining industry must add value the hard way, just like the base metal mining industry had to learn to do. They have got to become more efficient and more focused."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1721-22	1707-08
Previous	1697-99	1695-96
High/low		1718/1690
AM Official	1730-31	1703-5
Kerb close		1700-701
Open int.	291,358	
Total daily turnover	87,798	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1482-87	1510-12
Previous	1475-85	1505-10
High/low		1520/1505
AM Official	1480-90	1505-15
Kerb close		1507-12
Open int.	5,537	
Total daily turnover	838	

■ LEAD ($ per tonne)

Close	597-98	611.5-12.0
Previous	590.5-1.5	606-7
High/low		614/605
AM Official	592.5-3.0	607-8
Kerb close		610-12
Open int.	35,772	
Total daily turnover	5,680	

■ NICKEL ($ per tonne)

Close	6565-75	6670-80
Previous	6485-95	6598-602
High/low	6610/6580	6730/6540
AM Official	6605-10	6670-90
Kerb close		6715-20
Open int.	55,663	
Total daily turnover	25,727	

■ TIN ($ per tonne)

Close	5380-90	5430-40
Previous	5310-20	5360-70
High/low		5460/5400
AM Official	5375-80	5435-40
Kerb close		5415-25
Open int.	15,915	
Total daily turnover	3,783	

■ ZINC, special high grade ($ per tonne)

Close	1633-38	1517-19
Previous	1588-91	1485-88
High/low	1636/1633	1520/1500
AM Official	1636-7	1516-7
Kerb close		1519-20
Open int.	96,359	
Total daily turnover	29,550	

■ COPPER, grade A ($ per tonne)

Close	2293-98	2285-88
Previous	2308-10	2290-92
High/low	2296	2295/2266
AM Official	2293-5	2270-71
Kerb close		2270-71
Open int.	139,672	
Total daily turnover	38,037	

■ LME AM Official £/$ rate: 1.5844
LME Closing £/$ rate: 1.5875

Spot: 1.5868 3 mths: 1.5813 6 mths: 1.5756 9 mths: 1.5707

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	103.60	−1.40	105.50	103.50	185	2,285
Sep	103.80	−1.35	106.00	103.20	2,837	21,108
Oct	103.80	−1.05	105.45	103.90	21	1,762
Nov	102.80	−0.75	103.80	103.50	19	1,386
Dec	102.60	−0.50	104.00	102.25	732	8,807
Jan	102.10	−0.55	103.30	103.30	12	673
Total					8,274	43,961

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	326.10-326.60		
Opening	327.20-327.50		
Morning fix	327.30	207.008	494.616
Afternoon fix	326.15	205.682	498.400
Day's High	327.30-327.60		
Day's Low	325.70-326.00		
Previous close	327.90-328.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.77	6 months	3.41
2 months	3.10	12 months	3.56
3 months	3.39		

Silver Fix	p/troy oz.	US cts equiv.
Spot	282.60	447.90
3 months	286.80	453.00
6 months	291.20	458.30
1 year	300.05	469.45

Gold Coins	$ price	£ equiv.
Krugerrand	319-321	201-202
Maple Leaf	-	-
New Sovereign	75-77	47-49

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	324.2	−2.6	326.9	323.2	169	638
Sep	324.9	−2.7	-	-	1	2
Oct	326.1	−2.7	329.1	324.6	1,403	15,515
Dec	328.0	−2.7	331.4	326.6	50,228	116k
Feb	329.9	−2.7	332.2	328.7	170	12,872
Apr	331.8	−2.7	332.9	331.8	31	5,342
Total					54,392	201,184

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	427.8	−3.3	431.0	421.5	1,195	11,787
Jan	418.8	−2.8	415.5	413.1	9	2,587
Apr	413.3	−2.8	412.0	407.0	1	415
Total					1,206	14,790

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	209.85	−6.00	209.85	208.85	548	3,710
Dec	199.85	−6.00	199.85	199.85	101	1,377
Mar	193.85	−6.00	193.85	193.85	-	136
Jun	192.35	-	-	-	-	107
Total					649	5,330

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	439.5	−10.2	-	-	-	-
Sep	440.5	−10.2	452.0	436.5	20,543	49,889
Dec	447.0	−10.3	458.0	443.0	2,549	21,285
Jan	448.6	−10.3	-	-	-	20
Mar	453.4	−10.4	463.0	452.0	89	10,458
May	457.4	−10.4	462.0	462.0	20	3,023
Total					23,223	90,136

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	20.28	+0.09	20.45	20.12	46,683	75,083
Oct	20.50	+0.11	20.68	20.32	41,850	75,971
Nov	20.55	+0.08	20.73	20.41	7,534	40,161
Dec	20.59	+0.09	20.71	20.45	8,264	49,945
Jan	20.59	+0.09	20.70	20.48	2,808	29,365
Feb	20.55	+0.06	20.62	20.51	799	14,641
Total					113,715	445,606

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	19.21	+0.22	19.29	18.95	9,880	17,529
Oct	19.32	+0.16	19.40	19.10	21,871	83,880
Nov	19.41	+0.16	19.45	19.25	2,287	16,167
Dec	19.50	+0.17	19.54	19.33	1,575	19,416
Jan	19.42	+0.07	19.45	19.39	591	15,964
Feb	19.33	+0.03	19.33	19.33	42	6,846
Total					37,795	173,174

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	56.10	+0.06	56.55	55.74	14,746	35,753
Oct	56.95	+0.07	57.35	56.57	8,598	31,374
Nov	57.85	+0.22	58.10	57.50	1,625	18,163
Dec	58.55	+0.17	58.85	58.25	1,498	19,899
Jan	59.20	+0.27	59.25	58.95	307	15,480
Feb	59.20	+0.17	59.20	59.00	43	8,046
Total					27,513	148,514

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	173.75	+3.75	174.75	171.75	6,130	23,992
Oct	175.50	+3.50	176.25	173.75	1,281	14,056
Nov	177.25	+3.50	178.00	175.25	449	6,795
Dec	178.50	+3.25	179.00	177.75	166	13,678
Jan	179.00	+3.25	179.25	178.50	40	8,082
Feb	178.25	+3.00	178.25	178.25	120	5,136
Total					8,477	79,906

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Sep	8.930	+0.130	9.000	8.750	190	580
Oct	10.740	−0.090	10.740	10.650	100	1,205
Total					540	6,010

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	2.525	+0.053	2.550	2.425	31,134	44,847
Oct	2.555	+0.062	2.570	2.450	19,227	34,140
Nov	2.635	+0.047	2.650	2.566	4,436	15,443
Dec	2.740	+0.047	2.750	2.698	2,582	19,467
Jan	2.745	+0.040	2.760	2.700	2,893	18,838
Feb	2.590	+0.040	2.600	2.570	1,612	13,706
Total					64,941	223,148

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	67.00	+0.92	67.40	65.90	29,931	37,133
Oct	61.10	+0.28	61.50	60.75	14,154	22,678
Nov	58.80	+0.10	59.05	58.30	2,498	8,555
Dec	58.15	+0.15	58.30	57.90	1,633	9,645
Jan	58.05	+0.10	58.25	57.80	499	8,830
Feb	58.70	+0.40	58.70	58.30	65	3,508
Total					48,864	162,661

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	83.60	−0.55	83.75	83.75	10	191
Nov	86.60	−0.55	87.50	86.50	61	3,951
Jan	88.60	−0.70	89.25	88.50	45	2,662
Mar	90.60	−0.70	91.30	91.30	5	1,779
May	92.60	−1.00	93.25	92.50	55	890
Jul	94.60	−1.00	-	-	-	38
Total					176	9,511

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	355.25	−6.00	361.25	355.00	7,658	28,080
Dec	370.75	−7.00	377.00	370.00	16,276	55,562
Mar	382.25	−6.75	387.00	381.00	1,325	15,676
May	385.50	−5.50	388.00	382.50	87	1,546
Jul	380.50	−4.50	384.50	379.00	967	5,816
Dec	396.00	-	-	-	-	2
Total					26,313	106,703

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	264.25	+2.00	265.00	260.50	23,407	43,001
Dec	268.00	+1.50	268.50	264.50	77,788	159,100
Mar	275.75	+2.00	276.25	271.50	10,820	37,736
May	280.00	+0.75	280.50	277.25	2,204	9,061
Jul	282.50	+1.25	283.50	278.50	4,383	15,188
Sep	263.50	−1.00	266.00	264.00	104	1,568
Total					121,687	273,638

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	77.75	−0.50	-	-	-	142
Nov	80.75	−0.50	81.50	81.50	6	996
Jan	82.75	−0.50	83.50	82.75	40	376
Mar	84.75	−0.50	-	-	-	268
May	86.25	−0.50	-	-	-	19
Total					46	1,801

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	772.50	−8.50	793.00	768.00	4,580	5,794
Sep	655.50	−4.50	662.00	646.00	6,528	15,096
Nov	611.75	−3.75	614.00	605.00	29,998	79,533
Jan	614.75	−3.75	617.25	610.00	1,315	16,560
Mar	624.25	−3.75	627.00	618.00	660	6,079
May	630.25	−3.75	630.50	625.00	623	4,306
Total					44,591	131,902

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	22.12	+0.17	21.85	21.82	1,651	1,194
Sep	22.27	+0.24	22.30	21.70	4,812	20,030
Oct	22.44	+0.22	22.20	21.87	2,357	15,116
Dec	22.79	+0.29	22.83	22.07	5,717	45,343
Jan	23.02	+0.30	22.61	22.40	534	7,571
Mar	23.35	+0.30	22.85	22.67	109	4,964
Total					15,831	99,473

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	258.2	+2.9	258.5	254.7	3,268	7,352
Sep	228.2	+0.7	229.5	226.3	6,755	24,217
Oct	207.3	−0.7	209.3	207.0	3,641	15,136
Dec	200.0	−1.1	202.0	199.0	10,183	41,020
Jan	197.0	−0.2	197.5	195.0	584	6,215
Mar	193.0	−1.2	194.0	192.0	652	6,779
Total					25,311	109,173

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	62.0	-	-	-	-	8
Mar	119.0	+6.0	-	-	-	-
Apr	135.0	+6.0	135.0	129.0	54	1,303
May	145.0	+6.0	-	-	-	2
Jun	155.0	+6.0	-	-	-	-
Total					54	1,313

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1312	+7	1312	1305	36	756
Sep	1387	+16	1380	1375	10	587
Oct	1500	+15	1500	1489	109	1,505
Jan	1510	+5	1510	1510	5	245
Total					160	3,093

	Close	Prev
BFI	1287	1283

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	540.00	−3.00	540.00	540.00	8	213
Dec	561.00	+3.00	561.00	561.00	5	134
Total					13	147

FUTURES DATA

All futures data supplied by CMS.

Wool

Prices closed last week on a hopefully firm note, and this was confirmed in Australia during the past three days, Mallett and Company reports. Offerings were again a good deal higher than those originally scheduled and continuing increases are expected for some weeks. Clearances at auction were nevertheless good, much better than when the wool market eased sharply at the start of the second week's selling. The eastern market indicator, after small fluctuations, closed 7 cents higher at 703 Australian cents a kg. New Zealand was generally a little dearer with the indicator at 489 New Zealand cents, 5 cents up.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1014	−12	1029	1016	608	20,262
Dec	1043	−12	1059	1043	967	42,525
Mar	1065	−13	1080	1064	566	50,004
May	1081	−13	1095	1083	122	21,918
Jul	1096	−13	1108	1102	88	7,530
Sep	1111	−12	1125	1123	70	10,955
Total					3,036	174,881

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1485	−14	1504	1482	1,717	8,774
Dec	1516	−11	1532	1511	2,319	34,658
Mar	1547	−10	1569	1542	233	25,553
May	1570	−9	1579	1567	88	12,250
Jul	1590	−8	1598	1589	14	2,271
Sep	1612	−8	1610	1610	22	3,721
Total					4,428	100,367

■ COCOA (ICCO) (SDR's/tonne)

Aug 13	Price	Prev. day
Daily	1175.85	1185.10

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1515	+5	1535	1485	2,267	16,050
Nov	1530	+4	1550	1501	1,731	15,055
Jan	1515	+5	1523	1490	486	6,965
Mar	1495	+11	1510	1465	162	1,739
May	1485	+8	1490	1482	19	232
Jul	1480	+8	-	-	-	28
Total					4,665	

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	184.55	+1.45	185.75	180.00	4,338	6,196
Dec	166.05	+0.55	168.25	164.00	2,347	8,348
Mar	149.20	−0.10	152.00	148.00	411	3,707
May	143.70	−0.60	146.25	143.60	49	1,131
Jul	139.70	−0.30	142.00	140.00	21	781
Sep	135.70	−0.30	137.00	137.00	5	292
Total					7,178	20,536

■ COFFEE (ICO) (US cents/pound)

Aug 13		Prev. day
Comp. daily	130.42	132.97
15 day average	139.20	138.54

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	324.2	+1.7	324.6	322.4	703	14,179
Dec	321.6	+1.9	321.0	319.9	198	8,238
Mar	324.1	+1.9	323.8	322.2	328	7,938
May	322.1	+1.7	322.2	320.6	355	1,695
Aug	319.5	+0.7	319.4	319.4	10	914
Oct	314.7	+1.1	314.5	313.6	126	2,064
Total					1,742	33,113

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.55	+0.06	11.57	11.48	7,675	99,035
Mar	11.78	+0.03	11.80	11.74	4,189	60,114
May	11.78	+0.05	11.78	11.73	1,485	13,982
Jul	11.68	+0.06	11.68	11.62	1,465	8,560
Oct	11.66	+0.06	11.66	11.61	1,337	5,293
Mar	11.59	+0.04	11.56	11.56	187	1,142
Total					16,358	188,266

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	74.48	−0.36	74.64	74.35	434	10,027
Dec	74.48	−0.41	74.74	74.35	4,777	41,553
Mar	75.73	−0.44	76.00	75.60	506	12,061
May	76.33	−0.44	76.51	76.22	247	4,096
Jul	76.85	−0.35	77.15	76.85	1,182	3,559
Oct	75.20	−0.20	75.50	75.20	43	626
Total					7,367	78,088

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	69.65	−9.60	76.60	69.50	1,407	14,043
Nov	76.10	−5.00	81.50	76.10	784	10,884
Jan	78.80	−5.00	83.70	78.80	238	5,088
Mar	81.30	−5.00	86.45	81.30	379	3,357
May	83.80	−5.00	85.00	83.80	97	681
Jul	86.75	−5.00	92.70	92.50	121	431
Total					2,815	34,708

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Aug 14	Aug 13	month ago	year ago
1903.8	1903.6	1888.3	1945.9

■ CRB Futures (Base: 1967 = 100)

Aug 13	Aug 12	month ago	year ago
243.33	243.09		

■ GSCI Spot (Base: 1970 = 100)

Aug 13	Aug 12	month ago	year ago
195.40	194.14	182.99	200.65

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+1,725	to	627,025
Aluminium alloy	−240	to	54,820
Copper	+1,950	to	256,300
Lead	−350	to	118,600
Nickel	+1,260	to	57,642
Zinc	−2,400	to	391,625
Tin	+5	to	11,240

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	66.575	+0.300	66.700	66.250	3,330	6,603
Oct	69.825	−0.025	69.975	69.550	6,473	51,080
Dec	72.225	−0.100	72.400	72.100	1,823	21,131
Feb	73.625	−0.150	73.800	73.550	1,104	10,895
Apr	75.175	+0.025	75.250	75.075	261	4,640
Jun	71.925	−0.125	72.200	71.900	471	2,848
Total					13,480	97,557

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	79.150	−0.050	79.250	79.050	1,907	5,331
Oct	73.025	+1.100	73.175	72.100	3,384	16,816
Dec	69.700	+1.050	69.800	68.600	718	6,274
Feb	68.400	+0.775	68.500	67.550	93	2,578
Apr	64.125	+0.825	64.100	63.250	21	1,523
Jun	67.650	+0.675	67.700	67.200	18	813
Total					6,161	34,205

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	85.950	+1.100	86.375	84.500	230	818
Feb	74.625	+0.875	75.200	74.000	1,010	3,523
Mar	74.800	+1.050	74.600	73.300	16	121
May	74.900	+1.200	74.575	74.575	13	25
Jul	74.950	-	74.950	74.600	1	18
Total					1,246	4,512

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Nov	Sep	Nov
1650	60	102	20	52
1700	33	76	42	75
1750	15	55	75	103
■ COPPER (Grade A) LME	Sep	Nov	Sep	Nov
2200	108	124	16	62
2300	46	75	53	101
2400	14	42	121	176
■ COFFEE LIFFE	Sep	Nov	Sep	Nov
1550	20	101	55	121
1600	8	82	93	152
1650	3	66	136	186
■ COCOA LIFFE	Sep	Dec	Sep	Dec
1000	24	85	10	42
1025	11	71	22	53
1050	4	59	40	66
■ BRENT CRUDE IPE	Sep	Oct	Sep	Oct
1850	-	-	25	-
1900	-	-	47	-
1950	43	76	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.01-8.08w	+0.380
Brent Blend (dated)	$19.05-9.09	+0.530
Brent Blend (Sep)	$19.20-9.24	+0.430
W.T.I.	$20.23-0.25w	+0.320

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$230-234	+7
Gas Oil	$173-175	+3
Heavy Fuel Oil	$91-93	
Naphtha	$194-196	+1
Jet fuel	$190-192	+3.5
Diesel	$178-180	+4

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	9.00-9.10	+0.15

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

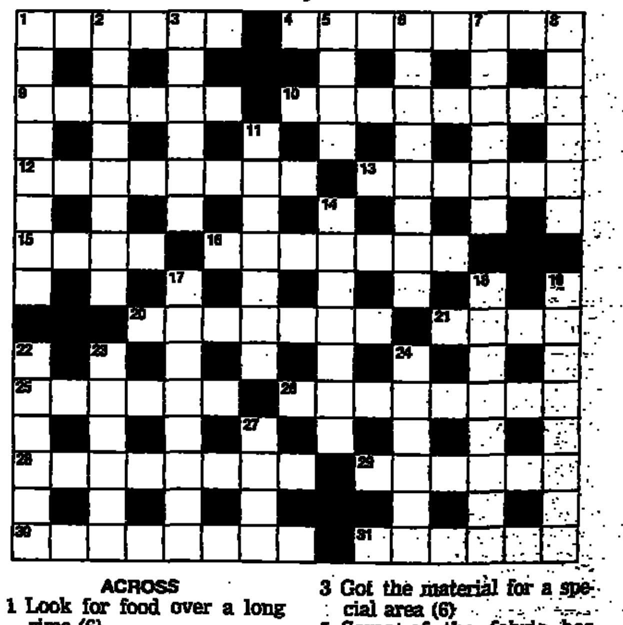
Gold (per troy oz)♣	$326.35	−1.80
Silver (per troy oz)♣	450.00c	
Platinum (per troy oz.)	$426.00	−6.00
Palladium (per troy oz.)	$215.00	−9.00
Copper	113.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.89r	
Tin (New York)	253.5	
Cattle (live weight)	99.19p	+0.68*
Sheep (live weight)	109.98p	−0.26*
Pigs (live weight)†	70.36p	−5.32*
Lon. day sugar (raw)	$280.50	−0.90
Lon. day sugar (wte)	$343.00	+0.10
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Sep)♥	61.75p	
Rubber (Oct)♥	62.00p	
Rubber (KL RSS No1)	251.0x	+1.0
Coconut Oil (Phil)§	582.5y	−7.5
Palm Oil (Malay.)§	500.0z	
Copra (Phil)§	$380.0y	−5.0
Soyabeans (US)	212.0	+2.0
Cotton Outlook'A' Index	81.35c	
Wooltops (64s Super)	415p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jul/Aug. z Aug. w Sep. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,186 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,454 Set by ADAMANT



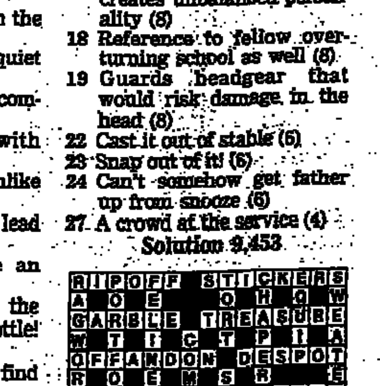
ACROSS

1 Look for food over a long rime (6)
4 Giving impressive performance as doctor, a graduate with habitual reaction (8)
9 Stun with sound of iron entering heart of college head (6)
10 Dearth of society at Detroit perhaps (8)
12 Bad slip getting mark of approval from red pencil (8)
13 Opposed to the Spanish doctor's material (6)
15 What a difference when the snow melts! (4)
16 Forbid one to leave quiet feast (7)
20 Coming right into a competitor (7)
21 Deal successfully with work in the church (4)
25 Hint about new dreamlike state (6)
26 A second stride might lead to calamity (8)
28 He paints badly like an actor (8)
29 The corn is rotten in the country, so open the bottle! (6)
30 Sit back in the hunt to find hit (8)
31 Melancholy organ (6)

DOWN

1 Castro being extremely touchy about one showing loyalty (8)
2 Come again? (8)
3 Got the material for a special area (6)
5 Some of the fabric has become very deep in colour (4)
6 Person who takes one's breath away (8)
7 Hit out at first woman at take-away (6)
8 Predator firm with year's on-target earnings (6)
11 Cocaine distributed at sea (7)
14 Filthy mollusc, about a pound (7)
17 One drug on top of another creates unbalanced personality (8)
18 Reference to fellow overturning school as well (8)
19 Guards headgear that would risk damage in the head (8)
22 Cast it out of stable (6)
23 Snap out of it! (6)
24 Can't somehow get father up from snooze (6)
27 A crowd at the service (4)

Solution 9,453



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Currency Funds Ltd						
[illegible]						

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Royal Bk of Canada O/S Fd Mgrs Ltd						
PO Box 246, St Peter Port, Guernsey 01481 723021						
Global Funds						
[illegible]						

GUERNSEY (REGULATED)(**)

[illegible]

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
BT Fund Managers (Ireland) Ltd (u)						
60 Harcourt Street, Dublin 2 00 3531 7802400						
BT Global Assets Fund						
[illegible]						
Bank of Cyprus Group						
1 Harbourmaster Place, IFSC Dublin 1 353 16700300						
BOC International Fund Management Ltd						
BOC Global Equity (u)			1.4329		—	—
Baring International Fund Managers (Ireland) Ltd						
[illegible]						
European Growth F			DM11.43		-11.0	0.00
Global Growth F			200.3		+0.1	0.00
Japan Growth F			159.4		+1.2	0.00
Japan Growth F			¥2.114		+2.5	0.00
India Opportunities F	5		$11.31		-20.0	0.00
Sterling High Yield F			124.4		—	5.02
Technology F			$8.120		+4.8	0.00
UK Equity Income F			205.6		—	2.57
World Bond F			131.6		+0.1	4.69
Scottish Value Management (Ireland) Ltd (u)						
St Stephen's Green, Dublin 2 00 3531 4757601						
UK Growth			£2.99	3.03	—	—
European Growth			£3.58	3.76	—	—
Broker Value			£1.3881		—	—
Relative Value H			£7.0335		—	—

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Lazard Investment Funds Ltd - Contd.						
Lazard Global Liquidity Fund Plc						
Lazard Sterling Liquidity F	3		£1.0146		+0.001	4.82
Lazard Dollar Liquidity F	3		$1.0077		+0.001	4.15
Lazard Deutschemark Liquidity F	3		DM0.9879		+0.001	2.12
Lazard French Franc Liquidity F	3		FFr9.8803		+0.001	2.46
Lazard Swiss Franc Liquidity F	3		SFr0.9777		—	0.48
Lazard Sterling Bond Liquidity F	3		£100.7795		+0.009	3.77
Lazard Managed Dollar Liquidity F	3		$0.9411		+0.001	—
Morgan Grenfell Investment Funds Ltd (u)						
20 Finsbury Circus, London EC2M 1UT 0171 545 7474						
[illegible]						
Singer & Friedlander Inv Funds Ltd (u)						
21 New Street, Bishopsgate, EC2M 4HR 0171-626 8226						
UK Equity Income	4½		100.55		+1.05	4.51
UK Equity Income	4½		DM3.1		+0.09	4.51
UK Equity Income	4½		$1.09		+0.03	4.51
UK Equity Income	4½		Pta261.9		+2.70	4.51
UK Equity Income	4½		FFr10.45		+0.11	4.51
Sterling Reserve	0		101.68		+0.01	5.02
Deutschemark Reserve	0		102.84		—	—
Dollar Reserve	0					
Corporate Income	4½		101.03		-0.37	5.74
Corporate Income	4½		DM2.94		-0.01	5.74
Corporate Income	4½		51.6		+0.01	5.74
[illegible]						

	Selling Price	Buying Price	+ or -	Yield Gross
Asian Diversified Equity Fund Plc				
NAV	$8.80		-0.16	—
Asian Emerging Markets Fund Plc				
NAV	$4.27		—	—
Asian Gateway Fund Plc				
NAV	$5.985		—	—
Asian Growth Fund Plc				
NAV	$0.16		+0.01	—
Asset Korea Fund				
NAV	$7.041		—	—
Asset Universal Ltd				
Korea 21st Century (CBC) Ltd	$7.14		—	—
Korea Domestic Conv Bond	$9.36		—	—
Yellow Sea NAV	$8.25		—	—
Atlantis Korean Smaller Companies Fund				
NAV Aug 13	$7.52		—	0.00
BT Fund Managers (Ireland) Limited				
Johnson Fry Slaepship Plc				
A Shares	100.32		—	—
B Shares	100.32		—	—
Johnson Fry Safeguard Plc				
A Shares	97.02		—	—
B Shares	97.02		—	—
BT&T Asset Management (Ireland) Ltd				
[illegible]				
UK Performance	£12.2110		—	—
CFP Interest Rate Arbitrage Fund Plc				
NAV	$11.19		—	0.00
Calplus Fund				
NAV	$111.10		+1.10	—
Capital Vision Fund Plc				
NAV	$3.37		-0.27	—
Chemical Ireland Fund Administrators Ltd				
Nikko East Asia Class A	$11.8081		—	—
Nikko East Asia Class B	$11.7855		—	—
Taj Performance	$9.23		—	—
Citi Investment Fund (Ireland)				
Citi Korean Equity	$7.26		+0.22	—
Citizens Investment Trust Mngt Company				
CITC Select Fund Plc				
Auto Shares	$8.19		—	—
Chemical Shares	$5.04		—	—
Electron Shares	$5.55		—	—
Finance Shares	$8.31		—	—
Steel Shares	$4.39		—	—
Telecom Shares	$10.87		—	—
CoreStates Fund Management (Ireland) Ltd				
CoreFund Sterling Cash	£1.000		—	6.85
Daiwa Europe Fund Mgrs Ireland Ltd				
Daiwa Alternative Inv Plc	$1041.14		—	—
[illegible]				

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg 00 352 404646211

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Multinational Pfolo			Ecu25.02		-0.21	-
European Multinational Pfolo			$25.79		-0.02	-
European Multinational Pfolo			£16.91		-0.04	-
European Multinational Pfolo			L48070		-433	-
European Multinational Pfolo			DM45.13		-0.42	-
Global Multinational Pfolo			Ecu24.03		-0.1	-
Global Multinational Pfolo.			$25.73		+0.08	-
Global Multinational Pfolo			£16.24		-0.04	-
Global Multinational Pfolo.			L48166		-216	-
Global Multinational Pfolo.			DM47.18		-0.2	-
US Growth Companies			$17.83		+0.03	-
US Growth Companies			£11.28		-0.04	-
US Growth Companies			L31992		-208	-
US Growth Companies			DM32.70		-0.2	-
US Real Estate Securities			$15.64		-0.08	-
US Real Estate Securities			£9.87		-0.07	-
US Real Estate Securities			L28053		-398	-
US Real Estate Securities			DM28.67		-0.4	-

BAG Asset Management Ltd

10 Piccadilly, London W1V 0EE 0171 734 3700

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Investmarket NAV Jul 31 F			3661.42		+0.10	-
Interportfolio Fund						
Convertible (US$) Jul 16			$775.54		—	-
Convertible (FFr) Jul 16 F			FFr3348.47		—	-
Comfort (US$)		2	$540.03		—	-

Bank Von Ernst & Cie AG

Marktgasse 63/65, 3001 Bern, Switzerland 0041 313291111

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
UK Equity			£17.87		-0.21	-
UK Smaller Co's Eqty			£28.49		+0.19	-
Nth American Equity			$17.25		-0.07	-
US Smaller Co's Eqty			$24.72		-0.02	-
Pacific Basin Equity			$15.82		+0.07	-
Japanese Equity			Y574		+6	-
European Equity			DM19.21		-0.40	-
Swiss Equity			SFr19.69		-0.39	-

Foreign & Colonial Portfolios Fd Sicav(u)

33 Boulevard Prince Henri, L-1724 Lux 00 352 2256 711

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Am Smlr Cos Eq F			$43.48		-0.08	-
Japanese Smlr Cos Eq F			Y878.00		+8.00	-
European Smlr Cos Eq F			Ecu17.70		-0.03	-
Emerging Asian Eq F			$22.48		-0.17	-
Sterling Beta F			£10.06		—	-
Sterling Distribution F		5	£9.74		-0.14	-

Frontrunner I (u)

672 rue de Neudorf, Luxembourg 00 352 43887350

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Equities			Ecu175.12		—	-
Global Bonds			DKr180.90		—	-
Global Bonds			DM158.40		—	-
Sterling Fund			£193.21		—	-
Danish Bonds			DKr178.69		—	-
Swedish Bonds		3	SKr129.06		—	-
German Bonds			DM105.54		—	-
Dollar Bonds		3	$101.34		—	-
Scandinavian Equities			Ecu289.03		—	-
Far East Equities			$88.89		—	-
North American Equities		5	$107.82		—	-
Danish Kroner Reserve			DKr111.06		—	-
Swedish Kronor Reserve			SKr116.76		—	-
German Mark Reserve			DM108.23		—	-
US Dollar Reserve		3	$101.22		—	-
ECU Reserve			Ecu110.98		—	-
Norwegian Kroner Reserve			NKr100.08		—	-
Bonds 2/1998		3	DM125.85		—	-
Bonds 2/1999		3	DM103.03		—	-
Bonds ?/1999			DM102.15		—	-
Danish Mortgage Bonds			DKr101.80		—	-
Danish Long Bonds		3	DKr101.99		—	-

GT Global

(44) 171 710 4567 London (852) 2842 7200 Hong Kong

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
GT Europe A			$80.59	84.83	+0.04	0.00
GT Europe A			£50.99	53.67	+0.03	0.00
GT Europe B			$80.82		+0.04	0.00
GT Europe B			£51.14		+0.03	0.00

[illegible]

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Target International Ltd

Friends Provident International

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	482½	+7	492	407½	5,013	5.6	14.5
Bulmer (HP)	[illegible]	420xd	+2½	[illegible]	410	221.8	4.3	11.7
Burn St Dist	[illegible]	43½	—	101	40½	25.8	9.8	10.8
Glenmorangie A		962½	—	1040	740	130.8	1.7	23.8
B		1075	—	1140	985	43.0	0.8	53.1
Grand Met	[illegible]	[illegible]	+3	601	425½	12,400	3.2	18.9
Guinness	[illegible]	580	+2½	627	424	11,885	3.4	16.7
Highland	[illegible]	322½	+1	380	307½	430.2	3.3	15.1
5¾pc Cnv Bds		88½		101½	85½	43.4	6.5	–
Kirin Y		[illegible]	[illegible]	733¼	[illegible]	6,511	1.3	–
Matthew Clark	[illegible]	238½xd	+½	699	233	211.1	12.6	7.6
Merrydown	[illegible]	59½xd	[illegible]	129½	52½	6.49	6.5	14.7
Seagram C$		[illegible]	[illegible]	[illegible]	[illegible]	5,982	1.4	–

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

Royal Bk Canada C$		[illegible]	[illegible]	[illegible]	[illegible]	5,895	2.7	
Toronto-Dom C$		[illegible]	—	[illegible]	[illegible]	2,880	4.2	
Trans Can Pipe C$ ♥		[illegible]	—	[illegible]	[illegible]	[illegible]		
Western Star Trucks C$		[illegible]	[illegible]	[illegible]	[illegible]	207.6	—	

SOUTH AFRICANS

	Notes	Price	+ or −	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27[illegible]	—	*£27[illegible]	£20¼	2,091	2.7	ф
Barlow	♦†	£7[illegible]	[illegible]	£8[illegible]	£5[illegible]	1,829	1.8	16.5
Gold Flds Prop R	†	105	−2	107	72	18.9	4.5	14.9
SA Brews		£16[illegible]	[illegible]	£20[illegible]	£13¾	5,764	2.0	ф
Standard Bank		£29[illegible]	[illegible]	£30	£21	3,882	1.8	ф
Tiger Oats	†	1061	+8	1109	790	1,834	1.7	20.6
Tongaat-Hulett		775	−3	789½	675½	753.4	2.5	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on assumed dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
Ø Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

LONDON STOCK EXCHANGE

Choppy session sees Footsie dip below 5,000

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A session that began with UK stocks in good heart ended with the market falling disappointingly by the close, after several changes of mood.

Once again, London was responding mostly to events in the US where the latest inflation news calmed jangling nerves and provided much needed reassurance about the short term course of interest rates.

A 0.2 per cent increase in consumer prices in July was interpreted by some as an indicator that rates will be left on hold after next Tuesday's meeting of the US Federal Reserve's Open Market Committee.

Other economic news from the US, including weekly jobless claims, industrial production and capacity utilisation seemed to do no harm to market sentiment.

The late slide in UK stocks took place against a positive performance from Wall Street, where the Dow Jones Industrial Average rose more than 30 points in early trading, before drifting back shortly after London closed.

The US Treasury bond market was always looking good after the inflation news, with the long bond up around a half-point and helping UK gilts to consolidate earlier gains.

UK marketmakers said London shares had endured a difficult and choppy session. A firm opening, reflecting relief that Wall Street had rallied from its lowest levels overnight, was followed by a flurry of keen buying interest and a widespread mark-up of prices after Wednesday's sell-off in London.

That had been prompted by a clutch of sell programmes, one of which emanated from a big institution lightening its exposure to UK stocks.

Worries about the possibility of another sell-off in US stocks wiped out the FTSE 100's 29 point rise and saw the index slide below 5,000 over lunchtime.

The US data brought a resurgence of support for equities, but that subsequently petered out in the afternoon with marketmakers complaining of "indigestion" in the market, linked to a further brace of programme trades.

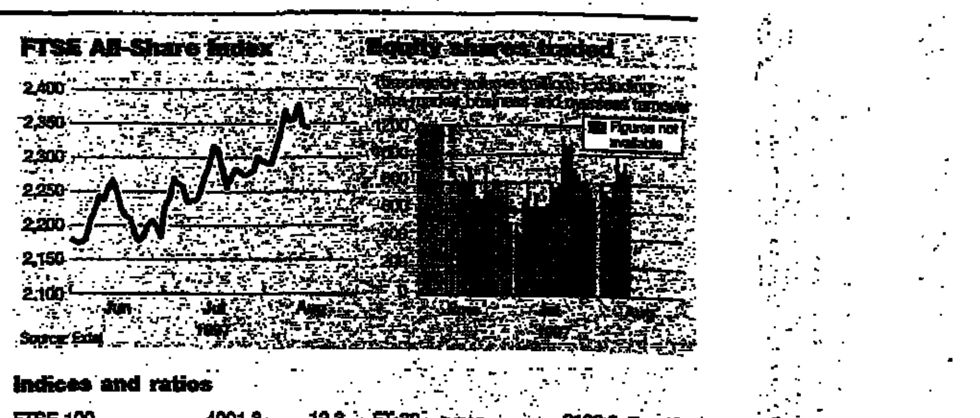
By the close, Footsie was 12.3 points off at 4,991.2. There was some comfort from the mid-cap and small cap stocks, with both sectors stubbornly refusing to mirror the choppy performance of the leaders.

The FTSE 250 ended 12.9 up at 4,689.9, having touched a session peak of 4,690.4, while the FTSE SmallCap closed at the day's best of 2,242.8, up 8.5.

Marketmakers said that although London had disappointed yesterday there were few signs of any serious selling pressure across the broad market, outside the leaders that were being pressured by the programme sales. "As long as Wall Street and the bond markets remain firm, equities should be fine," said one trader.

Strategists were not so confident. Mr Richard Jeffrey at Charterhouse warned that the market "is reacting to the bad news rather than to the good news."

Turnover at 6pm was a rather subdued 771.1m shares.



Indices and ratios

FTSE 100	4991.3	−12.3	FT 30	3198.2	+13.0
FTSE 250	4689.9	+12.9	FTSE Non-Fins p/e	20.04	19.69
FTSE 350	2404.1	−3.5	FTSE100 Fut Sep	5002.0	−18.0
FTSE All-Share	2346.32	−2.64	10 yr Gilt yield	7.10	7.15
FTSE All-Share yield	3.35	3.34	Long gilt/equity yld ratio	2.12	2.14

Best performing sectors

1 Diversified Inds .... +3.0
2 Gas Distribution .... +1.4
3 Tobacco .... +1.3
4 Textiles & Apparel .... +0.8
5 Chemicals .... +0.8

Worst performing sectors

1 Oil: Integrated .... −2.2
2 Mineral Extraction .... −1.8
3 Building Mats & Merchs .... −1.3
4 Media .... −0.8
5 Electricity .... −0.7

BTR are back in favour

By Joel Kibazo and Peter John

US buying in industrial conglomerate **BTR** helped maintain the recent momentum in a stock that has underperformed the market for most of this year.

The shares gained another 13½ or 6.7 per cent to 214p, by far the best performer among constituents of the FTSE 100. The stock has outperformed the FTSE All-Share index by 12.5 per cent *this week alone.*

Heavy demand for the 1997 warrants saw them double to 1½p, the best performer in the FTSE All Share.

BTR was also the most heavily traded stock in the FTSE 100 with 18m having been dealt by the close. One dealer said: "This is a stock that was left behind in the rally seen in engineering and industrial stocks."

Shares in the group fell sharply in May after brokers slashed their profit forecasts in response to a gloomy trading statement.

Ulster Television rose 32½ to 199p as Scottish Media, the owner of Grampian and Scottish, bought 6.89m shares – 13.1 per cent – in the Irish company at 205p a share. The purchase takes its stake to just under 15 per cent.

Scottish said it had "no plans at this stage to make an offer for Ulster" and several analysts suggested the stake purchase represented a defensive move which was unlikely to lead to a full takeover in the near term.

There was also also speculation that Ulster's price rise might herald a 15 per cent stock buy-back.

Border TV was caught up in the day's takeover talk and lifted 5 to 370½p. Scottish closed unchanged at 642½p.

BSkyB fell for a second session ahead of the group's annual results today. The consensus profit estimate is £303m, up from £257.4m the previous year. The results will close an era, as Mr Sam Chisholm, the group chief executive who guided the company through rapid expansion in the 1990s, steps down. The shares dipped 11 to 470p.

Pearson succumbed to profit-taking after a phenomenal two-week run, and ended the day as one of the worst performers in the Footsie. The media conglomerate, which owns the Financial Times, had jumped 120p since the beginning of August when the chief executive promised double-digit earnings growth and a doubling of the company's value within five years. Some analysts suggested the stock was "up with events" having reached the top of a perceived trading range. The shares fell 23 to 758½p.

The stock was also said to have featured in a series of big sell programmes on Wednesday which made their presence felt yesterday. The programme trades were also blamed for falls in **National Power**, which fell 11 to 523p, **Burmah Castrol**, which was off 19 at £11.12½p and **Next**, which lost 11½ at 789p.

Zeneca bounced sharply after Dresdner Kleinwort Benson reiterated its "buy" stance on the stock following the recent slide in global pharmaceutical shares.

Kleinwort said the fall, prompted principally by US selling, offered an "opportune moment" to buy.

Zeneca is Kleinwort's preferred stock in the sector. It currently trades at a price/earnings ratio of 22 times 1998 earnings – on a par with Glaxo but significantly less than SmithKline Beecham.

It feels Zeneca offers a "superior earnings growth rate" to its UK rivals and sees £24 as a reasonable target for the shares, which ended the day 24 up at £19.10½.

ICI came off earlier highs as sterling crept back up against the D-Mark and one broker's sell note weighed on the stock.

Nikko argues that, while ICI's 20-year search for a "sustainable winning formula" may be over, it is still too early to tell. It adds that the company's demanding business growth targets will require acquisitions, which shareholders must prepare to fund. And it believes that on 1999 estimates, ICI is only worth 965p. The shares hit £10.72½ but ended 7 up at £10.66½.

Norwich Union was heavily traded as institutions continued to pile into *the insurer in order to get an* appropriate weighting ahead of its assumed entrance into the FTSE 100 index in September. The shares lifted 2 to 336p on turnover of 17m shares.

Other demutualised stocks also attracted interest. **Alliance & Leicester**, which reports today, gained 9 to 612½p and Halifax, which reports next week, was firm at 731p. Disappointment with the acquisition of the Birmingham Midshires building society by **Royal Bank of Scotland** saw the latter slide 11 to 601p.

Shares in building materials group **Hanson** tumbled 24½ to 304p, after first-half figures disappointed the market.

Exceptional charges of £49.1m, representing a £28m loss on the sale of Hanson Electrical and write-downs on Australian mining investments, reduced pro-forma pre-tax profits to £47.8m on flat sales of £1.14bn.

The shares have moved ahead strongly in recent sessions and dealers said the figures had triggered a late afternoon wave of profit-taking.

Among retailers, **Boots** rose 12 to 796½p, after Dresdner Kleinwort Benson reiterated its positive stance on the stock following the shares' recent underperformance.

In telecoms, reduced losses at mobile phones group **Orange** saw the shares advance 8½ to 220½p. Volume was 8.4m.

Games Workshop improved 55 to 630p after Credit Lyonnais Laing recommended the stock which it said offered at least 25 per cent of further upside.

A 15 per cent increase in profits failed to lift **WPP**, the marketing services group. The shares had risen strongly before the figures and profit-taking took the stock down 3½ to 270p.

Shares in food manufacturer and distributor **Albert Fisher** fell in early trading after the group said it had terminated bid talks with a possible partner.

The shares lost 4¾ or nearly 11 per cent to 38¾p, with analysts suggesting the promise of a share buy-back has been insufficient to support the stock. Sentiment was further damaged by the fact that any return of cash will be the result of the second large restructuring in two years.

SGST suggested a 48p a share sum-of-the-parts valuation for the company but Mr Carl Short at the broker said at the moment, "the risk-reward ratio is unfavourable."

Anglo-Dutch company **Unilever** fell 26½ to £18.55 after Schroder Securities was reported to have downgraded the stock.

FT 30 INDEX

	Aug 14	Aug 13	Aug 12	Aug 11	Aug 8	Yr ago	*High	*Low
FT 30	3198.2	3185.0	3226.5	3205.9	3216.3	2801.9	3222.3	2668.8
Ord. div yield	3.44	3.45	3.40	3.41	3.40	4.08	4.22	3.39
P/E ratio net	18.80	18.74	19.01	18.94	18.99	16.94	19.07	15.80
P/E ratio nil	18.61	18.55	18.82	18.75	18.80	16.76	18.88	15.71

FT 30 since compilation: high 3226.5 12/08/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3190.6	3200.3	3206.2	3201.7	3193.7	3199.4	3203.5	3200.9	3195.9	3208.0	3190.6

	Aug 14	Aug 13	Aug 12	Aug 11	Aug 8	Yr ago
SEAQ bargains	44,885	49,231	49,831	54,142	59,362	28,417
Equity turnover (£m)†	-	NA	2996.9	2280.1	3294.8	1508.9
Equity bargains†	-	NA	50,030	55,339	52,076	33,618
Shares traded (mil)†	-	NA	869.0	954.4	885.4	521.9

†Excluding intra-market and overseas turnover but including Crest turnover.
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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	726	Total Highs	73	Total contracts	34,886
Total Falls	666	Total Lows	40	Calls	16,331
Same	1,689			Puts	18,555

Aug 14 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	5045.0	5002.0	-18.0	5075.0	4985.0	9988	73339
Dec	5120.0	5068.0	-18.0	5120.0	5075.0	154	6383
Mar		5115.0	-18.0			0	221

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4750.0	4750.0	+20.0	4750.0	4750.0	5	8369

■ FTSE 100 INDEX OPTION (LIFFE) (*4991) £10 per full index point

	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P
Aug	[illegible]															
Sep	[illegible]															
Oct	[illegible]															
Nov	[illegible]															
Dec†	386½	117½			319	154½										

Calls 4,809 Puts 5,227

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P
Aug	182	1	112½	1	66	4½	29	17	8	[illegible]						
Sep	231½	55½	198½	70½	164½	88	134	107½	107	[illegible]						
Oct	279	83	245½	98½	213	115½	183	135	156½	[illegible]						
Dec	364	127½			288½	160½			241	[illegible]						
Mar†	445	168			383	201½			325½	[illegible]						

Calls 3,363 Puts 6,930 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	410	Antofagasta Uts	410	-5	-	-	-	-
§	F.P.	4,882	238	220½	Billiton	234½	-1	RQ10c	1.6	2.7	23.3
*	F.P.	7.24	74½	70½	†Blakes Clothing	72½		L1.45	5.1	2.5	7.8
-	F.P.	135.3	108¾	101	Bristol & W Prf	108¼	+¾	-	-	-	-
§100	F.P.	29.2	145	109½	Cammell Laird	137½	-3	L3.8	2.1	3.5	13.3
§260	F.P.	15.9	275	265	Delcam	268		L2.5	4.4	1.2	24.3
	F.P.	-	116	114	EMI B	115		Z2.75	-	3.1	-
*	F.P.	9.92	117½	117½	Fairfield Ents	117½		W2.0	7.9	2.1	7.4
§3	F.P.	4.61	3¾	3½	†Fairplace Cnslg	3¾		-	-	-	-
§-	F.P.	8.56	65	65	†GR Holdings	65		-	-	-	51.8
§150	F.P.	236.5	202	162½	Galen Hldgs	195	+½	L0.9	5.7	0.6	31.4
§	F.P.	23.7	162½	117½	Gremlin Group	128½	-2	R3.5	3.2	3.5	9.8
§125	F.P.	5.87	135	100	†Halicon Publsg	100	-½	-	-	-	-
§	F.P.	572.0	396½	380	Ionica	381½		-	-	-	-
§160	F.P.	17.0	175½	172½	†Kingfisher Lels	175½		LW2.0	6.0	1.4	14.6
*	F.P.	-	79½	76½	†LEPCO	78½	+½	-	-	-	-
§90	F.P.	4.21	98	93	†Landround	94½		3.3	1.7	4.4	16.6
§173	F.P.	45.0	217½	185½	Metroline	209½	+1	R5.8	2.8	3.5	12.5
100	F.P.	32.7	112½	99½	Rexbourne Merlin	108½		-	-	-	-
§100	F.P.	7.70	120½	105½	†SBS Group	108½	+1	L2.4	2.0	2.8	19.1
-	F.P.	-	38½	34½	Severn Trent B	34½	-1	-	-	-	-
-	F.P.	-	50	42½	†Stentor Warrants	50	+8½	-	-	-	-
§	F.P.	56.7	140½	136½	Ted Baker	137½		L3.49	0.1	3.2	-
	F.P.	-	22¾	18½	Thorn B	20½		-	-	-	-
-	F.P.	80.5	68½	60	Vigien Tech	66		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 13	% chg on day	Aug 12	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1458.95	+0.7	1449.10	2645.83	2.18	-	2081.05	1278.14
■ Regional Indices								
Africa (14)	1457.48	+0.8	1445.27	2663.50	5.30	24.02	2695.88	1324.06
Australasia (6)	1494.03	-0.5	1502.17	2408.34	3.55	17.17	2455.18	1336.10
North America (11)	1471.13	+0.8	1459.31	1822.38	0.95	74.73	1654.45	1244.23

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Aug 14	Day's chge%	Aug 13	Aug 12	Aug 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4991.3	-0.2	5003.6	5075.8	5031.9	3837.4	3.31	2.02	18.68	107.83	2138.64
FTSE 250	4689.9	+0.3	4677.0	4700.4	4671.6	4356.0	3.54	1.59	22.22	98.32	1964.42
FTSE 250 ex IT	4690.1	+0.3	4676.9	4699.2	4669.6	4390.8	3.68	1.62	20.95	101.50	1970.38
FTSE 350	2404.1	-0.1	2407.6	2438.0	2418.1	1920.8	3.35	1.94	19.25	51.66	2103.57
FTSE 350 ex IT	2404.4	-0.2	2408.2	2438.9	2418.8	-	3.38	1.95	19.01	19.57	1079.01
FTSE 350 Higher Yield	2286.4	......	2287.3	2318.7	2297.5	1842.2	4.59	1.75	15.54	64.13	1699.05
FTSE 350 Lower Yield	2521.1	-0.2	2527.0	2556.7	2537.9	2006.7	2.37	2.22	23.77	39.16	1801.83
FTSE SmallCap	2242.85	+0.4	2234.30	2228.83	2218.67	2130.89	3.20	1.74	22.46	43.60	1910.12
FTSE SmallCap ex IT	2201.28	+0.4	2191.76	2183.55	2172.92	2123.57	3.48	1.82	19.72	47.24	1891.37
FTSE All-Share	2346.32	-0.1	2348.96	2376.39	2357.52	1897.81	3.35	1.92	19.43	50.11	2083.52
FTSE All-Share ex IT	2346.49	-0.1	2349.40	2377.25	2358.07	-	3.39	1.94	19.04	19.17	1071.81

■ FTSE Actuaries Industry Sectors

	Aug 14	Day's chge%	Aug 13	Aug 12	Aug 11	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4875.77	-1.8	4963.51	5048.33	4957.45	3805.42	3.16	1.94	20.40	98.75	2188.39
12 Extractive Industries(5)	4395.27	-0.3	4408.31	4478.03	4465.49	4216.03	3.58	2.38	14.65	104.80	1343.49
15 Oil, Integrated(3)	5144.34	-2.2	5259.30	5356.92	5237.45	3696.52	3.28	1.86	20.46	107.40	2375.24
16 Oil Exploration & Prod(12)	3824.50	+0.4	3809.87	3827.82	3844.71	2557.93	1.50	2.23	37.39	38.65	2343.57
20 GEN INDUSTRIALS(263)	2074.72	+0.5	2064.19	2085.92	2070.74	2018.36	3.85	1.76	18.49	47.22	1188.90
21 Building & Construction(35)	1390.63	+0.7	1380.49	1380.25	1380.68	1156.14	3.21	1.98	19.70	26.37	1210.80
22 Building Matls & Merchs(30)	1899.53	-1.3	1925.41	1950.97	1956.96	1883.38	4.24	1.74	16.96	42.27	1004.22
23 Chemicals(26)	2750.91	+0.8	2730.16	2790.40	2769.20	2375.48	3.71	1.63	20.72	60.42	1370.20
24 Diversified Industrials(15)	1439.08	+3.0	1397.22	1395.83	1385.39	1551.11	5.18	1.97	12.27	46.48	858.92
25 Electronic & Elect Equip(37)	2174.65	.....	2175.26	2204.64	2200.85	2312.40	3.77	1.63	20.29	48.65	1182.36
26 Engineering(66)	2796.09	+0.5	2782.51	2813.60	2774.88	2453.80	3.01	2.33	17.85	52.34	1765.34
27 Engineering, Vehicles(12)	[illegible]										
28 Paper, Pckg & Printing(27)	[illegible]										
29 Textiles & Apparel(14)	[illegible]										
30 CONSUMER GOODS(84)	[illegible]										
32 Alcoholic Beverages(7)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(17)	[illegible]										
36 Health Care(14)	[illegible]										
37 Pharmaceuticals(18)	[illegible]										
38 Tobacco(3)	[illegible]										
40 SERVICES(270)	[illegible]										
41 Distributors(30)	[illegible]										
42 Leisure & Hotels(31)	[illegible]										
43 Media(41)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(53)	[illegible]										
47 Breweries, Pubs & Rest.(22)	[illegible]										
48 Support Services(50)	[illegible]										
49 Transport(23)	[illegible]										
60 UTILITIES(31)	[illegible]										
62 Electricity(9)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(8)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(668)	[illegible]										
70 FINANCIALS(104)	[illegible]										
71 Banks, Retail(10)	[illegible]										
73 Insurance(18)	[illegible]										
74 Life Assurance(7)	[illegible]										
77 Other Financial(26)	[illegible]										
79 Property(43)	[illegible]										
80 INVESTMENT TRUSTS(127)	[illegible]										
89 FTSE All-Share(899)	[illegible]										
105 FTSE All-Share ex IT(772)	[illegible]										
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	[illegible]										
FTSE AIM	1025.7	+0.1	1025.1	1025.0	1024.0	-	1.04	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]										
FTSE 250	[illegible]										
FTSE 350	[illegible]										
FTSE SmallCap	[illegible]										
FTSE All-Share	[illegible]										

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TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

FTSE INTERNATIONAL

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

AUSTRIA (Aug 14 / Sch)

BELGIUM/LUXEMBOURG (Aug 14 / Frs.)

CZECH REP (Aug 14 / Korun)

DENMARK (Aug 14 / Kr)

FINLAND (Aug 14 / Mks)

FRANCE (Aug 14 / Frs.)

GERMANY (Aug 14 / Dm.)

GREECE (Aug 14 / Drachma)

ITALY (Aug 14 / Lire)

NETHERLANDS (Aug 14 / Fls.)

NORWAY (Aug 14 / Kroner)

POLAND (Aug 14 / Zloty)

PORTUGAL (Aug 14 / Escudo)

SPAIN (Aug 14 / Pts.)

SWEDEN (Aug 14 / Kronor)

SWITZERLAND (Aug 14 / Frs.)

TURKEY (Aug 14 / Tk Lira)

PACIFIC

JAPAN (Aug 14 / Yen)

AUSTRALIA (Aug 14 / Aus$)

HONG KONG (Aug 14 / H.K.$)

INDONESIA (Aug 14 / Rupiah)

MALAYSIA (Aug 14 / MYR)

NEW ZEALAND (Aug 14 / NZ $)

SINGAPORE (Aug 14 / S$)

SOUTH KOREA (Aug 14 / Won)

TAIWAN (Aug 14 / TW $)

THAILAND (Aug 14 / Baht)

AFRICA

SOUTH AFRICA (Aug 14 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 14 / Can $)

4 pm close

MONTREAL (Aug 14 / Can $)

4 pm close

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NOTES - Prices on this page are as quoted on the individual exchanges and are usually last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Aug 14	Aug 13	Aug 12	1997 High	1997 Low
Argentina					
General(29/12/77)	(u)	24497.57	24885.55	24917.86 5/8	18237.37 2/1
Australia					
All Ordinaries(1/1/80)	2627.4	2623.6	2650.5	2746.90 2/7	2282.20 1/4
All Mining(1/1/80)	823.6	829.0	831.0	987.30 24/2	820.00 13/8
Austria					
Credit Aktien(30/12/84)	448.07	452.34	458.05	468.82 1/8	374.48 9/1
Traded Index(2/1/91)	1382.75	1408.14	1430.30	1488.49 31/7	1130.22 9/1
Belgium					
BEL20(1/1/91)	2417.87	2399.10	2451.55	2621.90 28/7	1971.06 2/1
Brazil					
Bovespa(29/12/83)	(u)	11851.0	11810.0	13617.00 8/7	8865.50 2/1
Canada					
Metals & Minls‡(1975)	(u)	5343.56	5321.24	5881.75 10/3	4846.66 11/4
Composite‡(1975)	(u)	6791.00	6808.50	6945.10 7/8	5579.30 14/4
Portfolio§§(4/1/83)	(u)	3387.17	3411.41	3504.93 7/8	2848.02 11/4
Chile					
IGPA Gen¥(31/12/80)	(u)	5582.26	5607.10	5888.71 4/7	4912.42 2/1
Denmark					
CopenhagenSE(3/1/83)	631.03	632.23	631.44	686.29 17/7	470.14 2/1
Finland					
HEX General(28/12/90)	3576.04	3600.85	3529.36	3686.86 7/8	2483.28 2/1
France					
SBF 250(31/12/90)	1918.00	1917.44	1966.86	2003.43 31/7	1533.19 2/1
CAC 40(31/12/87)	2921.84	2924.04	2998.57	3075.87 31/7	2286.97 2/1
Germany					
FAZ Aktien(31/12/58)	1417.35	1445.59	1461.50	1481.44 31/7	988.21 2/1
Commerzbank(1/12/53)	4138.10	4219.40	4288.70	4336.70 31/7	2876.30 2/1
DAX‡(30/12/87)	4231.43	4278.46	4363.08	4438.93 31/7	2848.77 2/1
Greece					
Athens SE(31/12/80)	1645.81	1642.36	1631.68	1727.76 23/5	954.84 2/1
Hong Kong					
Hang Seng(31/7/64)	16497.71	16482.93	16383.41	16673.27 7/8	12886.17 3/4
India					
BSE Sens.(1979)	4320.97	4370.13	4425.03	4548.02 5/8	3225.24 2/1
Indonesia					
Jakarta Comp.(10/8/82)	643.01	658.60	662.95	740.83 8/7	631.27 15/4
Ireland					
ISEQ Overall(4/1/88)	3705.99	3690.02	3722.16	3726.99 8/8	2725.07 2/1
Italy					
Banca Comm Ital(1972)	905.40	986.68	910.68	958.19 23/7	642.55 2/1
MIB General(2/1/97)	1351.0	1363.0	1369.0	1442.00 23/7	991.86 2/1
Japan					
Nikkei 225(16/5/49)	19222.62	19008.60	19089.11	20681.07 16/6	17303.65 10/1
Nikkei 300(1/10/82)	292.59	289.17	288.76	303.71 20/7	251.04 27/1
Topix(4/1/68)	1494.69	1477.87	1475.85	1560.28 26/6	1329.82 10/4
2nd Section(4/1/68)	1669.28	1659.52	1659.23	1848.25 30/6	1516.50 15/4
Malaysia					
KLSE Comp.(4/4/86)	918.54	908.83	897.25	1271.57 25/2	897.25 12/8
Mexico					
IPC(Nov 1978)	(u)	5016.63	5002.88	5212.88 6/8	3359.46 2/1
Netherland					
CBS TRtnGen(End 83)	1099.1	1102.1	1149.0	1184.60 7/8	730.60 2/1
CBS All Shr(End 83)	634.9	636.7	663.8	684.40 7/8	428.80 2/1
New Zealand					
Cap. 40(1/7/86)	2458.60	2450.92	2498.06	2575.52 30/7	2207.48 1/4
Norway					
Oslo SE(Ind)(2/1/83)	2159.75	2171.85	2199.71	2217.38 7/8	1638.03 2/1
Philippines					
Manila Comp(2/1/85)	2493.49	2527.08	2535.40	3447.60 3/2	2493.49 14/8
Portugal					
BVL 30(4/1/93)	3561.13	3545.32	3585.39	3803.95 7/8	2165.57 2/1
Singapore					
SES All-S'pore(2/4/75)	485.63	479.54	483.67	573.03 17/2	479.54 13/8
South Africa					
JSE Gold(28/9/78)	1041.9♥	1028.1	1017.0	1598.10 27/2	903.90 7/7
JSE Ind.(28/9/78)	9238.1♥	9243.1	9287.7	9814.20 7/8	7859.50 2/1
South Korea					
KoreaCompEx**(4/1/80)	755.78	762.73	762.92	792.29 17/6	611.85 7/1
Spain					
Madrid SE(30/12/85)	569.45	580.43	587.99	628.15 7/7	434.54 2/1
Sweden					
AffarsvardsGen(1/2/37)	3239.5	3243.7	3306.3	3316.80 7/8	2329.50 2/1
Switzerland					
SMI Index(1/7/88)	5579.5	5682.1	5808.4	6012.80 8/7	3822.90 7/1
SPI General(1/6/87)	3595.90	3640.85	3713.35	3768.76 8/7	2506.22 6/1
Taiwan					
WeightedPr.**(30/6/66)	9632.34	9556.12	9807.74	10066.35 31/7	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	628.89	632.73	(c)	858.97 22/1	464.77 19/6
Turkey					
IMKB Nat 100(1986)	2016.00	2005.00	2036.00	2050.08 7/8	895.00 2/1
WORLD					
MS Capital Intl(1/1/70)	951.4*	952.8*	958.4	981.80 31/7	794.50 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2673.74	2716.53	2757.29	2784.80 7/8	1893.89 2/1
FTSE E 100(26/6/90)	2247.72	2258.29	2314.98	2365.88 7/8	1582.99 2/1
HSBC JC Dogs(31/12/88)	(u)	421.36	419.84	434.93 6/8	381.63 29/4
ING Barings Emrg(7/1/92)	186.14	187.02	187.98	196.81 9/7	169.74 3/1

US INDICES

Dow Jones	Aug 13	Aug 12	Aug 11	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7928.32	7960.84	8062.11	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.02	104.20	104.19	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2916.53	2913.84	2934.16	3009.25 (6/8)	2222.07 (2/1)	3009.25 (6/8/97)	13.23 (8/7/32)
Utilities	230.72	232.42	232.89	240.85 (22/1)	209.47 (25/4)	258.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8075.58 (8132.49) Low 7848.19 (7926.46) (Theoretical♣)
Day's high 8040.51 (8095.58) Low 7879.08 (7948.89) (Actual♣)

Standard and Poors	Aug 13	Aug 12	Aug 11	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	922.02	926.53	937.00	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials♥	1084.73	1091.44	1103.34	1136.76 (6/8)	885.42 (11/4)	1136.76 (6/8/97)	3.52 (30/6/32)
Financial	105.98	105.74	107.40	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	478.42	480.76	485.21	497.00 (6/8)	389.47 (11/4)	497.09 (6/8/97)	4.84 (25/4/42)
Amex Comp.	641.06	643.23	644.35	654.06 (6/8)	541.20 (28/4)	654.06 (6/8/97)	524.20 (16/7/96)
NASDAQ Cmp	1583.40	1576.34	1586.74	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 8	Aug 1	Jul 25	Year ago
Dow Jones Ind. Div. Yield	1.61	1.58	1.60	2.21
	Aug 13	Aug 6	Jul 30	Year ago
S & P Ind. Div. yield	1.53	1.47	1.48	2.04
S & P Ind. P/E ratio	25.27	26.35	26.05	22.04

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Micron Tech	23,744,500	42¾	-7¾
Cp de Telco	12,807,600	32⅛	+⅝
ColumbiaHCA	8,824,900	32¾	-1⅛
Pfizer	7,856,500	53⅞	+¼
GEC	7,464,500	66¾	+⅛
Coca Cola	7,257,700	60½	-⅜
Merck	6,106,200	92⅛	-1⅜
Compaq	6,006,900	57⅞	-⅛
AT&T	5,472,700	39¾	-1
IBM	5,129,500	104¼	+⅜

■ TRADING ACTIVITY

● Volume (million)

	Aug 13	Aug 12	Aug 11
New York SE	567.880	503.026	473.633
Amex	24.935	25.382	23.153
NASDAQ	659.383	645.876	629.822
NYSE			
Issues Traded	3,383	3,382	3,366
Rises	1,364	1,263	1,349
Falls	1,471	1,557	1,493
Unchanged	548	562	524
New Highs	104	133	90
New Lows	25	17	13

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (MATIF/MONEP) (200 x Index)							
Aug	2940.0	2921.0	-3.0	2941.0	2915.0	9,859	26,296
Sep	2948.5	2929.0	-3.5	2948.5	2927.0	1,379	23,957
■ DAX							
Sep	4284.5	4198.0	-48.0	4300.0	4185.0	29,658	98,070
Dec	4319.5	4232.0	-38.5	4328.5	4224.0	186	3,480
■ OMX							
Aug	2619.00	2599.00	-8.00	2623.00	2589.00	8,791	19,760
Sep	2628.00	2610.75	-9.00	2631.50	2601.00	4,185	4,933
■ SOFFEX							
Aug	5700.0	5575.0	-95.0	5709.0	5562.0	12,420	16,314
Sep	5708.0	5579.0	-100.0	5711.4	5586.0	7,074	10,789

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Sep	925.60	931.50	+5.70	934.00	930.00	80,635	186,788
Dec	942.80	941.00	+5.20	942.80	941.00	966	7,976

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Sep	19080.0	19280.0	+250.0	19280.0	18970.0	19,374	178,323
Dec	19080.0	19200.0	+150.0	19210.0	19000.0	1,291	11,993

Open Interest figures for previous day.

** Sat Aug 9: Taiwan Weighted Price 9989.54; Korea Comp Ex 780.84. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Min., DAX – all 1,000; SMI – 1500; JSE Gold – 255.7; JSE 25 Ind – 264.3; IMKB Nat 100 - 1; NYSE All Common – 50; Stand & Poor's – 10 and Amex Comp – 550. §§ Montreal. ♣ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 14 – 4195.53 -41.53 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, August 14, 1997

	Stocks Traded	Closing Prices	Change on day
Sakura Bank	8.0m	733	+18
Sumitomo Bank	7.4m	1910	+20
Toyota Motor	6.6m	3260	+160
Toko	5.7m	1000	+54
Nippon Steel Cp	5.7m	319	+7
Mitsui Const	5.5m	215	+45
NKK Corp	5.5m	198	+2
Fujita Corp	4.7m	105	-6
Hitachi	4.0m	1260	
Fujitsu	3.9m	1700	+50

4 pm close August 14

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		- A -								
38 7/16	24 1/8	AAR x	0.48	1.4	26	207	34 3/16	33 15/16	34 1/2	-1/4
53 3/4	33 1/8	AMP x	1.04	2.1	41	4891	50 1/2	49 3/8	50 1/16	-1/4
110 1/16	78 3/4	AMR			8	1676	105 1/16	103 3/8	104 1/4	-1/2
37 5/8	29 1/2	ASA x	1.20	3.9	20	725	31 1/16	30 5/16	30 5/8	-1/2
68 13/16	49 3/4	AbbtL x	1.08	1.7	25	7190	63 13/16	63	63 5/8	+1/2
20 1/2	14 1/8	AbtIbl	0.40	2.1	9	2341	19 3/16	18 7/8	19 1/16	+1/8
25	17 3/8	ABM Ind	0.40	1.6	22	67	24 5/16	24 1/16	24 5/16	+1/8
24 1/8	17 3/4	Acplacein			11	3508	22 1/4	21 3/16	22	+1/2
87 1/4	56 1/8	ACE Ltd	0.88	1.1	11	732	81 1/2	81	81 1/16	-1/4
10 3/4	10	ACM Gvt In x	0.90	8.7	11	221	10 7/16	10 3/8	10 3/8	
8	7	ACM GvOpp x	0.63	8.3		22	7 13/16	7 5/8	7 5/8	
10 9/16	9 1/4	ACM Man x	0.90	9.1		191	9 15/16	9 7/8	9 7/8	
10 3/8	6 1/8	Acme Elect				31	6 3/8	6 1/16	6 3/8	+1/8
20	13	Acme Mills				115	14 3/4	14	14	-1/2
22 13/16	14	ACNielsen			38	2883	22 1/8	21 7/16	21 7/16	-1/2
29 3/4	19 1/8	Acuson				842	26	25 1/16	25 5/8	-1/2
24 3/8	19 3/8	Adams Expr x	0.55	2.3	1	125	23 13/16	23 11/16	23 7/8	-1/16
48 1/2	24 7/8	AdvMic				21181	39 1/4	37 1/2	37 7/8	
27 1/2	10 3/8	Advest Grp	0.12	0.5	16	135	22 5/16	22	22 1/8	+1/16
18 13/16	11 3/8	Advo Inc			17	860	17 3/4	17 1/2	17 3/4	+1/4
78 7/8	61 1/8	Aegon	1.31	1.9	19	356	71 5/8	70 13/16	70 13/16	-1/2
9 1/4	3 1/8	Aerflx				2667	9 1/8	8 7/16	8 7/16	-1/16
55 13/16	33	Aero-V x	0.80	1.5	18	530	54 1/4	53 1/16	54 1/16	+1/2
82 3/4	48	AES Corp				20	78 3/8	78 3/8	78 3/8	+1/8
[illegible]										

NYSE PRICES

4 pm close August 14

[illegible]

Price data supplied by Edel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ds-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close August 14

[illegible]

NASDAQ NATIONAL MARKET

4 pm close August 14

[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875		0	8.25	2.875	Lernout & Hauspie	US$29	+0.375	3150	34	25
Artwork Systems	US$8.875		6550	11.125	8.875	Mercer Int'l	US$10.125		0	11.75	8.125
Chemunex	FFr10.5		8400	18	10.5	NTL	US$22.75	+0.125	0	25.125	21.625
Debonair Holdings	GBP6.65	+0.15	97000	7.15	4.5	PixTech	US$3.5		0	6.125	3.5
Dr Solomon's ADS	US$25.625	-0.375	285	28.375	16.875	Schoeller-Bleckmann	Sch1365	-5	12640	1303	900
EDAP TMS	US$6.9375	-1.3125	0	9.125	6.9375	Topcall Int'l	Sch3255	-30	1680	3363	3065
Esprit Telecom ADS	US$6.375		0	12.25	5.375	Turbodyne Technol	US$3.85		10000	3.98	3.85
Innogenetics	US$10.125		11500	12.75	10.125						

Prices for 14/8/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 8990).

FINANCIAL TIMES Friday August 15 1997

Dow slips on pleasing indicators

AMERICAS

A summertime calm returned to Wall Street in morning trading as two important economic indicators helped to lift bonds and the main stock market indices advanced modestly, *writes John Labate in New York.*

Blue chip and technology issues improved as the Dow Jones Industrial Average gained 16.73 at 7,945.05 and the Nasdaq composite index, which is heavily weighted in technology issues, put on 4.01 at 1,587.41. The broader Standard & Poor's 500 index was also up, adding 4.36 at 926.38.

Bonds advanced as the consumer price index rose 0.2 per cent in July in line with market expectations. Industrial production figures also came in on target and as a result the bond market spent most of the morning on the upside. The long bond price gained ¾ to 97½, pushing yield down to 6.562 per cent.

The positive inflationary reports gave support to the widely-held view that the Federal Reserve will not raise interest rates when it meets next week.

"This data supports the notion that there still is decent growth without an acceleration of inflation," said Mr Jeffrey Applegate, chief investment strategist at Lehman Brothers.

The calmer markets helped to boost certain sectors. "Pharmaceuticals, after being bludgeoned, are bouncing back," said Mr Joseph Battipaglia, chief investment strategist at Gruntal & Co in New York.

Concerns over whether the drugs sector could sustain high growth for the next few years sparked the recent sell off. Industry leaders, however, rose sharply yesterday.

Bristol Myers Squibb surged $3¾ or five per cent at $76⅛ and Merck rose $1 3/16 at $94. Adding to the current calm in the market was stability in the dollar, according to Mr Battipaglia.

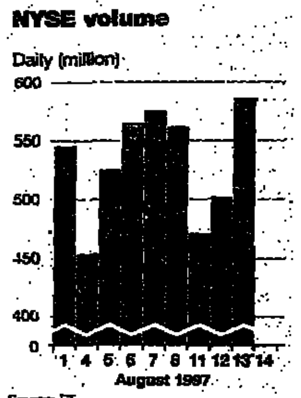
Large banking stocks also recovered as bond prices strengthened. Bank of New York was among the biggest gainers, adding $1⅝ at $47¼.

TORONTO showed no decisive trend in a morning of subdued volume.

Golds moved lower, reversing Wednesday's solid gains. Market heavyweight Alcan Aluminium lost ground. At the noon calculation, the 300 composite index was little changed at 6,796.30, down 5.28.

Drinks and entertainments leader Seagram was an early feature, bouncing back from two day's of losses as investors and analysts alike warmed to the group's upbeat annual results. The shares were 90 cents higher at C$48.90 having shed C$2.40 over the two previous full sessions.

Among golds, Barrick dipped 35 cents to C$32.75 and Placer Dome came off 20 cents to C$24.70. Banks ticked over. Royal Bank of Canada was 5 cents better at C$63.65 at midsession. Alcan Aluminium fell 60 cents to C$52.10 and Newbridge Networks lost 90 cents to C$60.35.



Source: FT

Sao Paulo moves ahead

SAO PAULO moved ahead strongly with volume picking up from Wednesday's doldrums.

At midsession, the Bovespa index was 139 or 1.2 per cent higher at 11,989.

Leaders found favour from the outset. Dealers said the early uptick on Wall Street helped sentiment but that the main upward drive came from local influences, notably the news that the government planned to offer additional shares in energy giant, Petrobras.

Market gains were wide-ranging. Petrobras added 1 per cent to R$316. Telebras rose 1.7 per cent to R$147.20.

MEXICO CITY posted modest gains in morning trading. Telemex improved 15 centavos to 20.35 pesos and leading conglomerate Carso put on 20 centavos to 58.70 pesos. At midsession the IPC index was up 23.41 at 5,040.04.

SANTIAGO made a steady start to the day. "We're seeing solid volumes. The generally positive US figures have rekindled investor interest", said one broker. At midsession, the IPSA index was 0.93 higher at 131.47.

Jo'burg down but off lows

The Johannesburg stock exchange ended down but off its lows as Wall Street's stronger opening caused South African shares to retrace some of their losses. The all-share index ended off 7.7 at 7,530.3 as the industrial index dropped just 5.0 to 9,238.1.

In the gold sector, shares continued their gradual climb on the back of stability in the gold price, with the gold index gaining 15.8 to 1,041.9. Analysts were wary of serious resistance in the price of the yellow metal at the $330 an ounce level.

Volumes on the day were healthy with R1.074bn worth of stock changing hands. Gainers and losers were broadly balanced as 188 shares went up and 181 saw their prices come down.

Surge for RWE fails to underpin Frankfurt

EUROPE

Bourses mostly edged lower in thin trading in spite of a better day for bonds and in the absence of nasty surprises in yesterday's raft of US indicators.

FRANKFURT mirrored the broad trend with the Dax off 41.53 in electronic trading at an Ibis-indicated 4,195.53.

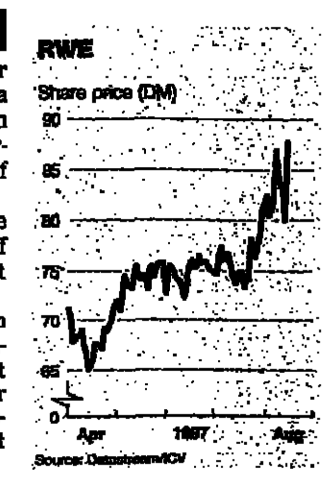
First-half results from BASF and news of a simplified shareholder structure at RWE gave traders food for thought in a session characterised by relatively modest volumes.

The biggest gainer in the Dax was RWE, which surged DM7.85 to DM87.50 after the diversified utility revealed plans for capital changes that were seen as opening the door to wider ownership of the shares.

The news sparked some of the heaviest trading volume ever seen in the stock. At the end of floor trading, 12.2m shares had changed hands in what brokers described as hectic two-way trading.

BASF fell DM3.70 to DM67.80 after bottom of the range six month figures, which included a big slide for plastics returns and an earnings gain of just 3.4 per cent overall.

As a result, chemical stocks, off steeply on Wednesday, stayed under a cloud amid signs that analysts were becoming increasingly disenchanted with the sector's earnings qualities.



Source: Datastream/ICV

Goldman Sachs retained its market outperformer recommendation but reduced its earnings estimates by 3 per cent for this year and 7 per cent for 1998. Underlying trading performance is currently lacklustre, the broker says.

Deutsche Telekom came off 85pfg to DM39.55 amid continuing speculation – in the face of Deutsche Telekom denials – that the company is interested in linking up with Olivetti's telecommunications businesses.

Motor stocks were mixed with Daimler Benz shedding DM2.85 to DM143.10, BMW dropping DM55.00 to DM1,337 but Volkswagen gaining DM4.20 to DM1,313.20. Thyssen, where merger hopes have recently been running high, swung back on to the upside, adding DM12.50 to DM441.

ZURICH again fell heavily. The SMI index came off 98.7 to 5,583.4 for a two-day decline of nearly 5 per cent. Clear weakness among drugs leaders took most of the blame for yesterday's downturn.

Ahead of today's second-quarter results, Roche shed SFr380 to SFr13,390, while Novartis also found itself bumping along at the bottom of the performance charts with a decline of SFr60 to SFr2,219 in advance of next week's earnings statement.

SBC stayed dull, easing SFr2.00 to SFr413. Most analysts came out in favour of the group's second quarter numbers – announced on Wednesday – but Lehman Brothers feels that fair value for the shares "lies below the current market price". CS Group lost SFr4.00 to SFr186.25 following bearish advice from Bank Julius Baer. The bank switched its recommendation from "hold" to "sell" given the risks inherent in CS's planned takeover of insurance leader, Winterthur.

FTSE Actuaries Share Indices — European series

August 14 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	989.61	−0.17	−1.63	2.34	0.00	971.06
FTSE Eurotop 100	2247.72	−0.38	−8.57	–	–	–
FTSE Eurotop 300 Regions						
300 UK	976.84	+0.92	+8.88	3.34	0.00	980.85
300 Ex-UK	988.44	−0.79	−7.84	1.77	0.00	985.47
300 Eurobloc	965.57	−0.58	−5.65	1.94	0.00	995.82
300 Ex-Eurobloc	972.53	+0.13	+1.29	2.82	0.00	978.01
FTSE Eurotop 300 Economic Groups						
Resources	977.46	−1.31	−12.93	2.83	0.00	978.85
General Industries	988.24	−0.28	−2.83	1.98	0.00	998.62
Consumer Goods	938.25	−0.16	−1.48	1.97	0.00	940.44
Services	962.21	+0.33	+3.16	2.21	0.00	982.85
Utilities	947.94	+0.68	+6.37	3.32	0.00	951.90
Financials	978.33	−0.16	−1.58	2.38	0.00	979.52

AMSTERDAM closed virtually unchanged after see-sawing ahead of today's options expiry. The AEX dipped 0.17 to 985.59, disappointing brokers who had expected a correction after Wednesday's sharp fall.

The market opened almost 10 points higher, but gains soon disappeared as jitters intensified ahead of the release of US statistics. Although the figures were in line with expectations, the Dutch market remained in the doldrums.

Food company Nutricia was a big loser, giving up Fl 9.40 or 2.6 per cent to Fl 346.60. International blue chips lost ground with Royal Dutch losing Fl 2.40 or more than 2 per cent to Fl 107.60 and Philips 40 cents to Fl 155.80. Philips denied rumours that it was about to announce a foreign exchange loss.

KLM was an exception, picking up Fl 2.50 or 3.6 per cent to Fl 73.00 after positive comments by US company Northwest Airlines on scope for extensive cost savings resulting from the ties between the two carriers.

ASM Lithography jumped to an all time high of Fl 188.00 before retreating to Fl 183.90, a gain of Fl 13.40.

PARIS had a dull day with activity falling off sharply ahead of today's public holiday. The CAC 40 closed off 2.20 at 2,921.84 in minimal volume of 6.4m shares.

Seita was the top performer among blue chips after reporting a slight rise in first-half sales. The tobacco group rose FFr5.90 or 3.5 per cent to FFr176.50. The biggest climber of the day was Geophysique, which surged 9 per cent or FFr58.00 to FFr700, while the biggest loser was electrical equipment group Legrand with a 2.6 per cent slide to FFr1,121.

HELSINKI ended down but off its lows with a rash of first-half forestry reports failing to inspire the market. The HEX general index came off 24.81 to 3,576.04 in a thin market.

UPM led forestries down, despite half-year results coming in at the top end of forecasts. The share dropped FM2.20 to FM139.80. High tech leader Nokia was off FM1.00 at FM464.00, in line with its trading pattern on Wall Street.

STOCKHOLM also ended slightly lower in a market struggling to find direction. The general index fell 2.61 to 3,204.52 after fairly active trade in which shares worth Skr5.13bn changed hands.

Market heavyweights Ericsson and Astra moved in opposite directions. The telecoms equipment group slipped Skr1.00 to Skr355 while Astra added Skr2.00 at Skr136.50.

Indonesian shares slide after currency moves

ASIA PACIFIC

Shares in **JAKARTA** fell steeply after the central bank announced plans to abandon its currency intervention band, effectively floating the rupiah.

The rupiah moved sharply lower, sliding 5 per cent against the dollar at one stage, sparking heavy selling in the stock market. At the close, the composite index was off 15.59 or 2.4 per cent at 643.01.

Finance and banking shares were hit hard on fears that companies with large exposure to the foreign exchange markets would suffer depleted earnings.

Foreign investors also took to the sidelines and watched the currency market.

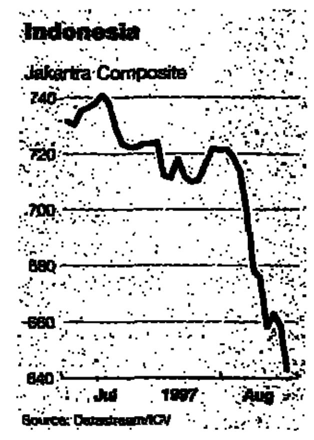
Bank International Indonesia, the most actively traded share of the day, tumbled R175 to R1,400. Bank Negara Indonesia fell R75 to R1,350, despite announcing a sharp increase in first-half profits earlier that day.

TOKYO ended a volatile session with solid gains as investors sought semi conductor-related issues and other leading blue chips, *writes Gwen Robinson.*

The Nikkei 225 average closed 214.03 higher at 19,222.62 after trading between 18,988.90 and 19,268.93.

The session opened positively with investors, encouraged by the overnight rise for US tech stocks, seeking leading technology and electrical shares. Momentum slowed toward the middle of the day as arbitrageurs sold cash stocks, but recovered on index-linked purchases by domestic institutions.

There was some profit-taking in the late afternoon but this was offset by the bargain hunters who snapped up banking and property issues on dips, as well as a range of other domestic demand-driven issues.



Source: Datastream/ICV

Volume fell from 410m shares to an estimated 376m. Advances led declines 698 to 371 with 171 unchanged.

The Topix index of all first-section stocks rose 16.82 to 1,494.69 and the capital-weighted Nikkei 300 was up 3.42 at 292.59.

Among tech stocks, Advantest rose Y700 to Y12,500, Tokyo Electron Y330 to Y7,560 and TDK Y120 to Y9,840.

Other leading electricals and car makers also gained. Sony rose Y100 to Y11,500 following the previous day's slide. Toyota gained Y160 to Y3,260 and Honda Y130 to Y3,780.

Banks rose on buy-backs by foreign securities houses. Sakura Bank, the day's most active issue, rose Y18 to Y733, Industrial Bank of Japan Y10 to Y1,750 and Sumitomo Bank Y20 to Y1,910.

General contractors were mixed. Investors welcomed the previous day's announcement by Mitsui Construction of a rehabilitation programme, driving the stock up Y45 to Y215. Obayashi rose Y26 to Y731 and Kajima Y19 to Y602, but Tobishima slid Y12 to Y159 and Shimizu Y12 to Y589.

Securities houses mostly retreated. Daiwa Securities fell Y6 to Y754, Yamaichi Securities Y3 to Y270 and Nikko Securities Y14 to Y614.

Fuji Television continued to fare well following its listing last Friday, rising Y21,000 to Y721,000, but Nippon Television Network fell Y600 to Y46,800.

In Osaka, the OSE average rose 197.90 to 20,212.03 and volume swelled to 70m shares.

KUALA LUMPUR closed higher after the Malaysian government signalled it would act to slow down the booming economy by cutting down on some big projects. The composite index closed 9.71 up at 918.54, with brokers saying foreign selling of shares had abated.

Malaysian blue chips have lost about 12 per cent since late July, when foreign hedge funds began selling down the ringgit on fears of an overheating economy. Telekom Malaysia picked up 20 cents to M$9.00 and Malayan Bank rose 10 cents to M$22.60.

SEOUL dipped as investors took profits after recent gains in blue chip shares. The composite index was off 6.95 at 755.78, although advances led declines by 389 to 377.

Samsung Electronics shed Won1,200 to Won73,500 after a poor first-half earnings report.

Korea Electric Power lost Won1,100 to Won25,700. Shares of Korea First Bank closed up Won150 at Won3,640 after opening at their upper daily limit of 3,760 as investors accumulated shares on hopes of government help.

MANILA fell for the third day running, closing at a 20-month low in light turnover of 1.8bn pesos.

The composite index gave up 33.59 or 1.3 per cent to end at 2,493.49.

The central bank cut overnight borrowing rates to 14 per cent from 18 per cent, but also raised banks' liquidity reserves on deposits and trust funds. After an initial rally, profit-taking was said to have quickly set in.

Firstliners that closed lower were Philippine Long Distance Telephone and Ayala Land.

TAIPEI closed higher, reversing three straight days of heavy falls. After a fairly volatile session, the weighted index ended up 76.32 at 9,632.34. Turnover was modest at T$144.3bn.

Electronics led the rebound. United Microelectronics rose T$3.5 to T$123.5. Taiwan Semiconductor, off by the 7 per cent daily limit on Wednesday on stock overhang worries, ended all-square at T$142.5. Textiles giant Hualon added T$1.3 at T$28.2.

BANGKOK shed 4.04 to 628.69 on the SET index after steady selling of financial shares. PTT Exploration found favour, rising BT4 to BT410 after announcing strong second-quarter results.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY AUGUST 13 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY AUGUST 12 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	229.78	−0.2	215.55	167.75	218.78	205.55	−0.9	3.71	230.30	216.34	168.60	222.99	207.50	243.87	198.69	199.21
Austria (25)	197.83	0.3	185.60	144.44	188.38	188.27	−1.4	1.75	197.23	185.27	144.56	190.97	190.86	206.00	174.70	181.47
Belgium (28)	239.40	−0.2	224.60	174.79	227.96	223.22	−1.9	3.06	239.86	225.31	175.80	232.24	227.44	261.11	213.92	217.47
Brazil (30)	285.84	0.4	268.17	208.70	272.19	571.36	0.4	1.29	284.82	267.55	208.75	275.77	569.19	322.44	172.54	178.27
Canada (126)	217.21	−0.2	203.78	158.59	206.83	218.95	−0.3	1.65	217.64	204.44	159.51	210.73	219.56	224.03	159.58	159.58
Denmark (32)	390.83	2.0	366.67	285.36	372.16	370.56	0.3	1.38	383.18	359.95	280.85	371.01	369.61	421.25	315.48	316.51
Finland (28)	308.93	0.7	289.83	225.56	294.17	355.88	−0.7	1.55	306.73	288.13	224.81	296.99	358.49	314.06	205.98	210.08
France (83)	224.56	−0.6	210.67	163.96	213.83	217.49	−2.2	2.42	225.83	212.14	165.52	218.66	222.43	237.57	187.30	188.06
Germany (59)	231.16	−0.2	216.88	168.79	220.13	220.13	−1.9	1.30	231.68	217.63	169.80	224.32	224.32	238.42	172.93	176.72
Hong Kong, China (66)	569.81	0.7	534.58	416.03	542.59	566.50	0.7	2.71	565.64	531.34	414.57	547.67	562.37	580.03	421.41	427.88
Indonesia (27)	202.42	−0.1	189.91	147.79	192.75	329.57	0.0	1.97	202.66	190.37	148.54	196.22	329.46	254.90	183.62	187.78
Ireland (17)	374.21	0.3	351.08	273.22	356.33	364.40	−0.9	2.68	373.02	350.40	273.40	361.17	367.55	374.84	284.36	287.48
Italy (53)	98.78	0.1	92.68	72.12	94.07	132.13	−1.4	1.80	98.68	92.69	72.31	95.52	133.94	105.79	73.26	76.02
Japan (485)	132.49	0.5	124.29	96.73	126.16	96.73	0.1	0.81	131.81	123.82	96.61	127.63	96.61	149.56	107.57	147.86
Malaysia (107)	399.24	1.2	374.56	291.50	380.17	426.31	1.1	1.63	394.40	370.48	289.07	381.87	421.66	660.85	394.40	542.90
Mexico (27)	1793.06	0.1	1682.21	1309.15	1707.39	15265.93	0.2	1.47	1790.62	1682.04	1312.40	1733.74	15234.39	1864.38	1136.59	1244.53
Netherlands (19)	408.87	−2.8	383.59	298.52	389.33	384.90	−4.5	2.03	420.72	395.21	308.36	407.35	402.66	431.66	295.89	297.30
New Zealand (14)	86.75	−1.7	81.39	63.34	82.61	71.78	−2.2	4.05	88.24	82.89	64.67	85.44	73.40	96.47	80.91	80.91
Norway (41)	326.69	−0.6	306.50	238.53	311.09	336.97	−1.4	1.82	328.65	308.72	240.88	318.21	341.79	330.72	246.29	247.16
Philippines (22)	140.21	0.2	131.54	102.37	133.51	200.19	−0.6	1.04	139.85	131.37	102.50	135.41	201.42	214.07	138.54	200.59
Singapore (42)	340.48	−0.7	319.43	248.59	324.21	236.06	−1.1	1.29	342.96	322.16	251.38	332.06	238.57	448.01	340.48	388.52
South Africa (44)	354.44	−0.5	332.53	258.78	337.51	360.85	−0.7	2.41	356.35	334.74	261.18	345.03	363.46	370.12	301.49	333.18
Spain (33)	245.26	0.1	230.10	179.07	233.54	287.64	−1.4	2.31	244.92	230.07	179.51	237.14	291.59	276.05	173.01	176.51
Sweden (49)	503.34	−1.8	472.22	367.50	479.29	594.65	−2.1	1.74	512.39	481.32	375.55	496.11	607.51	512.39	352.11	354.64
Switzerland (33)	304.21	−1.1	285.40	222.11	289.67	284.42	−2.3	1.18	307.68	289.03	225.51	297.91	291.03	329.59	231.69	247.52
Thailand (42)	59.11	0.7	55.45	43.16	56.28	72.24	1.0	4.29	58.72	55.16	43.03	56.85	71.56	146.69	47.55	148.43
United Kingdom (213)	310.95	−1.2	291.72	227.03	296.09	291.72	−1.3	3.46	314.71	295.63	230.66	304.71	295.63	325.29	240.35	240.35
USA (636)	374.38	−0.4	351.22	273.33	356.47	374.38	−0.4	1.65	375.85	353.06	275.47	363.91	375.85	389.67	264.75	268.68
Americas (821)	342.49	−0.4	321.32	250.06	326.13	288.54	−0.4	1.64	343.77	322.93	251.96	332.85	289.62	356.35	242.47	245.59
Europe (713)	274.14	−0.9	257.19	200.15	261.04	267.04	−1.9	2.40	276.70	259.92	202.80	267.91	272.16	284.44	212.58	212.88
Nordic (150)	428.07	−0.8	401.60	312.54	407.62	442.42	−1.5	1.67	431.33	405.18	316.14	417.63	449.22	437.88	307.34	308.74
Pacific Basin (881)	150.25	0.5	140.96	109.70	143.07	111.35	0.1	1.29	149.55	140.48	109.61	144.80	111.22	163.27	127.18	160.87
Euro-Pacific (1594)	201.97	−0.3	189.48	147.46	192.32	169.90	−1.0	1.92	202.63	190.34	148.51	196.19	171.55	209.12	173.55	182.42
North America (764)	364.63	−0.4	342.09	266.23	347.21	364.09	−0.4	1.65	366.05	343.85	268.29	354.42	365.46	379.38	258.56	261.97
Europe Ex. UK (500)	247.87	−0.8	232.54	180.97	236.02	246.68	−2.2	1.80	249.80	234.66	183.09	241.87	252.43	258.73	191.01	193.01
Pacific Ex. Japan (396)	304.03	0.3	285.23	221.98	289.50	274.64	0.1	2.75	302.99	284.61	222.07	293.36	274.38	320.65	280.04	280.56
World Ex. US (1821)	206.12	−0.3	193.38	150.49	196.27	176.80	−0.9	1.90	206.76	194.23	151.54	200.20	178.50	212.89	178.94	183.61
World Ex. UK (2246)	254.90	−0.3	239.14	186.11	242.72	227.59	−0.6	1.60	255.56	240.06	187.31	247.44	229.01	262.69	204.12	207.00
World Ex. Japan (1974)	324.78	−0.5	304.70	237.13	309.27	319.91	−0.8	1.95	326.45	306.66	239.27	316.08	322.62	334.83	242.70	243.78
The World Index (2459)	259.75	−0.3	243.69	189.65	247.34	233.51	−0.7	1.78	260.66	244.85	191.05	252.38	235.13	267.21	207.64	209.91

CONSTITUENT CHANGE 14/8/97: Name change: James River to Fort James Corp. (USA). Latest prices were unavailable for this edition.

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